

COUNCIL CHAMBERS 17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

REDEVELOPMENT AGENCY

Dennis Kennedy, Chairperson Greg Sellers, Vice-Chairperson Larry Carr, Agency Member Hedy L. Chang, Agency Member Steve Tate, Agency Member

COUNCIL MEMBERS

Dennis Kennedy, Mayor Greg Sellers, Mayor Pro Tempore Larry Carr, Council Member Hedy Chang, Council Member Steve Tate, Council Member

WEDNESDAY, SEPTEMBER 22, 2004

AGENDA

JOINT MEETING

REDEVELOPMENT AGENCY SPECIAL AND REGULAR MEETING

and

CITY COUNCIL SPECIAL MEETING

5:45 P.M.

A Special Redevelopment Agency and Special City Council Meeting Is Called at 5:45 P.M. for the Purpose of Conducting an Interview for the Mobile Home Rent Commission, Closed Sessions and City Business.

Dennis Kennedy, Mayor

CALL TO ORDER

(Chairperson/Mayor Kennedy)

ROLL CALL ATTENDANCE

(Agency Secretary/City Clerk Torrez)

DECLARATION OF POSTING OF AGENDA

Per Government Code 54954.2

(Agency Secretary/City Clerk Torrez)

City of Morgan Hill Regular and Special Redevelopment Agency and Special City Council Meeting September 22, 2004 Page - 2 -

5:45 P.M.

City Council Action

1. <u>CONDUCT INTERVIEW AND APPOINT TO FILL A VACANCY ON THE MOBILE HOME</u>
<u>RENT COMMISSION</u>

Recommended Action(s): Conduct Interview and Appoint to Fill an Unexpired Term Ending June 1, 2005.

6:00 P.M.

Redevelopment Agency Action and City Council Action

CLOSED SESSION:

1.

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

3.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Authority Government Code 54957

Public Employee Performance Evaluation: City Attorney

Attendees: City Council, City Attorney

4.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION:

Authority: Pursuant to Government Code 54956.9(a)
Case Name: City of Morgan Hill v. Howard Vierra

Case Number: Santa Clara County Superior Court, Case No. 1-04-CV-026723

OPPORTUNITY FOR PUBLIC COMMENT

ADJOURN TO CLOSED SESSION

RECONVENE

CLOSED SESSION ANNOUNCEMENT

7:00 P.M.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

City of Morgan Hill Regular and Special Redevelopment Agency and Special City Council Meeting September 22, 2004 Page - 3 -

RECOGNITION

Loritta Johnson
Recipient of Santa Clara County Office of Education Teacher Recognition Award
Mayor Kennedy

COMMENDATION

Police Officer David Ray

Mayor Kennedy and Interim Chief of Police Cumming

CITY COUNCIL SUBCOMMITTEE REPORTS

OTHER REPORTS

PUBLIC COMMENT

NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS <u>NOT</u> ON THIS AGENDA. (See notice attached to the end of this agenda.)

PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND PRESENT IT TO THE CITY CLERK.

(See notice attached to the end of this agenda.)

PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY COUNCIL/REDEVELOPMENT AGENCY.

Redevelopment Agency Action

CONSENT CALENDAR:

ITEM 2

The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

Time Estimate Page

Consent Calendar: 1 - 10 Minutes

City of Morgan Hill Regular and Special Redevelopment Agency and Special City Council Meeting September 22, 2004 Page - 4 -

City Council Action

CONSENT CALENDAR:

ITEMS 3-7

	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	_
3.	AUGUST 2004 FINANCE & INVESTMENT REPORT	
.	Recommended Action(s): Accept and File Report.	•••••
4.	FINAL MAP APPROVAL FOR MORGAN STATION (TRACT 9585) Recommended Action(s):	•••••
	1. Approve the Final Map, Including the Abandonment of an Excess Portion of East Central	
	Avenue;	
	2. <u>Approve</u> the Subdivision Agreement and Improvement Plans;	
	3. Authorize the City Manager to Sign the Subdivision Improvement Agreement on Behalf of the City; and	
	4. <u>Authorize</u> the Recordation of the Map and the Subdivision Improvement Agreement Following Recordation of the Development Improvement Agreement.	
5.	INDOOR RECREATION CENTER – APPROVE CONSULTANT AGREEMENT FOR PHASE I	
	CONSTRUCTION MANAGEMENT SERVICES.	
	Recommended Action(s): Authorize the City Manager to Execute a Consultant Agreement with Nova Partners, Inc. for a Total Fee not to exceed \$114,800, Subject to City Attorney Review and Approval.	
	Partners, file. for a Total Fee hot to exceed \$114,800, Subject to City Attorney Review and Approval.	
6.	REJECTION OF BIDS FOR BOYS RANCH RESERVOIR #3	
	Recommended Action(s): Reject the Bids Received on September 8, 2004 for the Construction of the	
	Boy's Ranch Reservoir #3 and <u>Authorize</u> Staff to Re-bid the Project.	
7.	APPROVE JOINT SPECIAL CITY COUNCIL, SPECIAL PLANNING COMMISSION, AND	
	SPECIAL ARCHITECTURAL REVIEW BOARD MEETING MINUTES OF SEPTEMBER 8, 2004	
Rad	evelopment Agency and City Council Action	
Neu	evelopment Agency und Cuy Councu Action	
CONSI	ENT CALENDAR:	
ITEMS	5 8-9	
	Time Estimate	Page
	Consent Calendar: 1 - 10 Minutes	ı ugc
8.	CARRYOVER OF ENCUMBRANCES FROM FISCAL YEAR 2003-2004	
5.	Recommended Action(s): Receive and File Report.	••••••
0	EINAL EIGGAL WEAD ARRA DARA BUDGET AD HIGHNADAR	
9.	FINAL FISCAL YEAR 2003-2004 BUDGET ADJUSTMENTS Recommended Action(s): Approve the Proposed Final Budget Adjustments for Fiscal Year 2003-2004.	
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City of Morgan Hill Regular and Special Redevelopment Agency and Special City Council Meeting September 22, 2004 Page - 5 -

City Council Action

PUBLIC HEARINGS:

Time Estimate Page

10. 5 Minutes DEVELOPMENT AGREEMENT FOR DAN GAMEL, INC.

Public Hearing Opened.

Please Limit Your Remarks to 3 Minutes. Public Hearing Closed

Council Discussion.

Action- **Motion to Waive** the Reading in Full of Ordinance.

Action- Motion to Introduce Ordinance by Title Only. (Roll Call Vote)

Redevelopment Agency Action

OTHER BUSINESS:

Time Estimate Page

11. 2 Minutes AWARD CONTRACT TO ABCO CONSTRUCTION TO MOVE THE HISTORIC

LA MALFA HOUSE

Recommended Action(s):

- 1. <u>Award</u> \$30,000 Construction Contract to ABCO Construction for the La Malfa House Move, subject to Review and Approval by Agency Counsel; and
- 2. **Authorize** the Expenditure of Contingency Funds Not to Exceed \$6,000.
- 12. 10 Minutes EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT (ERN)

WITH EL TORO BREWING.....

Recommended Action(s): Authorize the Executive Director to Prepare, Negotiate, and Execute an Amendment to the ERN with El Toro Brewing to Extend the ERN Deadline to November 30, 2004, with Provisions to Allow for a 60-Day Extension Subject to Specific Conditions as Detailed in the Revised Schedule of Performance.

City Council Action

OTHER BUSINESS:

Time Estimate Page

13. 20 Minutes <u>WATER RATES</u>

Recommended Action(s): Accept and File the Report.

FUTURE COUNCIL-INITIATED AGENDA ITEMS:

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

ADJOURNMENT



CITY COUNCIL STAFF REPORT MEETING DATE: Sentember 22, 200

MEETING DATE: September 22, 2004

Agenda Item # 1 Prepared By: Council Services & Records Manager/ City Clerk Submitted By:

City Manager

CONDUCT INTERVIEW AND APPOINT TO FILL A VACANCY ON THE MOBILE HOME RENT COMMISSION

RECOMMENDED ACTION:

Conduct Interview and Appoint to Fill an Unexpired Term Ending June 1, 2005

EXECUTIVE SUMMARY:

In June 2004, the City Council accepted Mark Moore's resignation from the Mobile Home Rent Commission and directed the City Clerk to recruit to fill the vacancy.

The Mobile Home Rent Commission consists of a City Council-appointed 5-member Advisory Commission whose charge is to monitor the performance of the City's Mobile Home Rent Stabilization Ordinance. The make up of this Commission is as follows: one (1) mobile home park owner representative; one (1) mobile home park tenant representative; and three (3) at large members.

The City is in receipt of an application from Mr. Eric F. Gould who is interested in serving on the Mobile Home Rent Commission. Mr. Gould's application is attached for Council reference. Staff recommends that the City Council interview Mr. Gould and consider him as a candidate to fill former Commissioner Mark Moore's vacancy with a term to expire June 1, 2005. Should the Council agree to appoint Mr. Gould to the Mobile Home Rent Commission, his appointment would be an "at large" appointment as Commissioner John Liegl has been appointed to represent the mobile home park tenants.

FISCAL IMPACT: No budget adjustment is required.



REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: September 22, 2004

AUGUST 2004 FINANCE & INVESTMENT REPORT

A	genda Item # 2
P	repared By:
F	inance Director
S	ubmitted By:

Executive director

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY: Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of August 2004. The report covers activity for the first two months of the 2004/2005 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

FISCAL IMPACT: As presented.

REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL

Monthly Financial and Investment Reports

August 31, 2004 - 17% Year Complete



Prepared by:

FINANCE DEPARTMENT



REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA

FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05 FOR THE MONTH OF AUGUST 2004 - 17% OF YEAR COMPLETE

Revenues

Through August 31, the Redevelopment Agency received \$91,930 in property tax increment revenues. Most property tax increment revenues are received in December and April. The Redevelopment Agency, as of August 31, 2004, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$78,737,746, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2004/2005 were collected under the plan amendment.

An amount of \$2,077 in interest earnings and rental income was received through August. Additional interest earnings for July and August have not yet been apportioned, but will be following the quarter ending September 30. Other revenues totaled \$3,689.

Expenditures

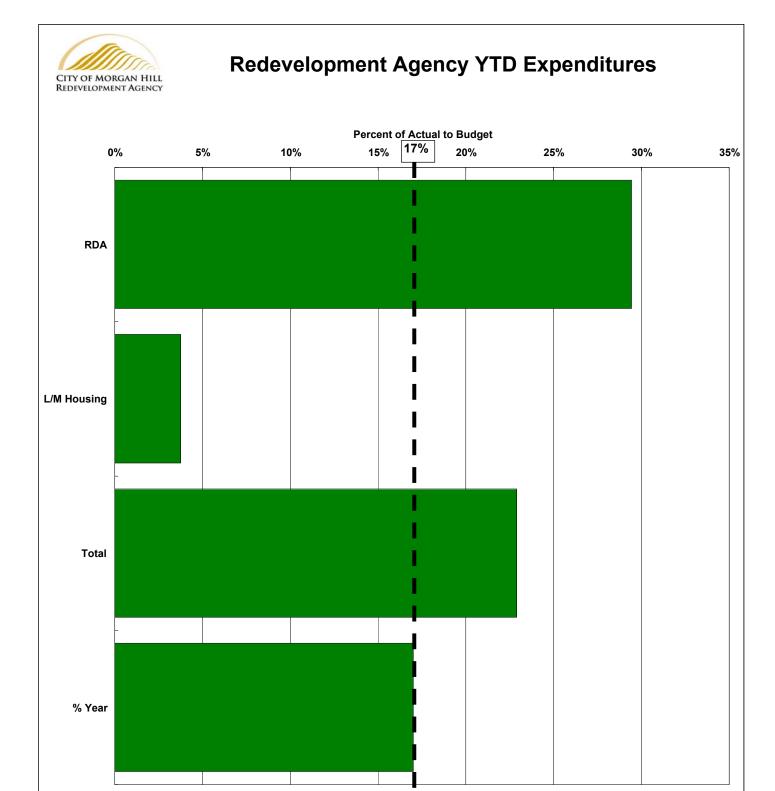
Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$5,030,533 and were 29% of budget. Of this total, \$3,212,146 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 11% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 18% of budget. Through August 2004, CIP project expenditures totaled \$1,185,899.

Expenditures plus encumbrances for Housing were at 4% of the budget for a total of \$219,016. All of the 2004/05 housing related expenditures have been funded with tax increment collected under the plan amendment.

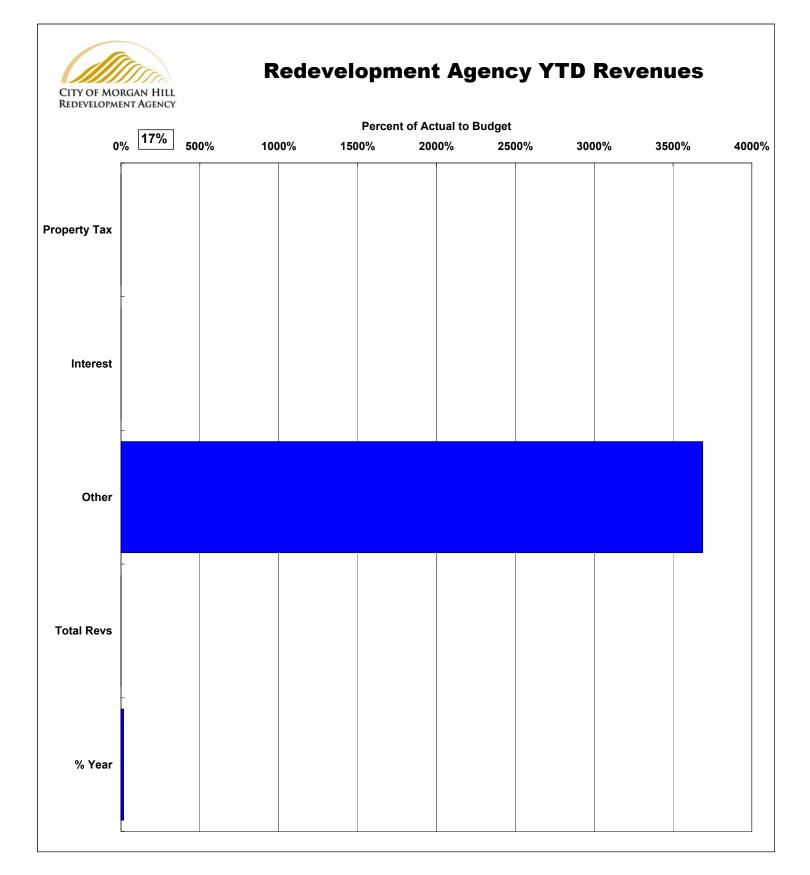
Fund Balance

The unreserved fund balance of negative (\$674,625) for the Capital Projects Fund at August 31, 2004, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$2.7 million for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments were subtracted from the negative (\$674,625), the remaining unreserved fund balance at August 31 would be a negative (\$4,984,625). However, these commitments are expected to be paid out over the next 2 to 3 years. Staff will bring a short-term borrowing plan to the Board in the near future, if needed, to finance cash flow needs. The Capital Projects Fund cash balance at August 31 was \$2,559,157.

The unreserved fund balance of \$6,698,799 for the Housing Fund at August 31 consisted of funds all collected under the plan amendment.



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$17,084,833	\$5,030,533	29%
HOUSING	5,846,002	219,016	4%
TOTALS	\$22,930,835	\$5,249,549	23%



			% OF	PRIOR YEAR	% CHANGE FROM
REVENUE CATEGORY	BUDGET	ACTUAL	BUDGET	TO DATE	PRIOR YEAR
PROPERTY TAXES	\$22,017,627	\$91,930	0%	\$120,265	-24%
INTEREST INCOME/RENTS	\$129,308	\$2,077	2%	\$16,623	-88%
OTHER REVENUE	\$100	\$3,689	3689%	\$2,672	38%
TOTALS	\$22,147,035	\$97,696	0%	\$139,560	-30%



Redevelopment Agency Fund Balance Report - Fiscal Year 2003/04 For the Month of August 2004 17% of Year Complete

		Unaudited	Revenue	s	Expenditu	res	Year to-Date	Ending Fu	nd Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-04	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$6,529,812	79,083	0%	1,818,387	11%	(1,739,304)	5,465,132	(674,625)	0.550.457	
			,				(, , ,				
327/328	HOUSING	\$24,707,457	18,613	0%	144,530	2%	(125,917)	17,882,742	\$6,698,799	6,760,278	
		•									
TOTAL C	APITAL PROJECT FUNDS	<u>\$31,237,269</u>	97,696	<u>0%</u>	1,962,917	<u>9%</u>	(1,865,221)	23,347,874	6,024,174	9,319,435	
SUMMAR	RY BY FUND TYPE										
	CAPITAL PROJECTS GROUP	\$31,237,269	97,696	0%	1,962,917	9%	(1,865,221)	23,347,874	6,024,174	9,319,435	
	TOTAL ALL GROUPS	\$31,237,269	97,696	0%	1,962,917	9%	(1,865,221)	23,347,874	6,024,174	9,319,435	
	TOTAL CASH AND INVESTMENTS									9,319,435	

¹ Amount reserved for encumbrances, fixed asset replacement, long-term receivables



Redevelopment Agency Year to Date Revenues - Fiscal Year 2004/05 For the Month of August 2004 17% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
CAPITAL PROJECTS FUNDS	l						
317 CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,280,277	17,280,277	73,544		96,212	(22,668)	
Development Agreements Interest Income, Rents Other Agencies/Current Charges	17,031	17,031	1,910 3,629	n/a 11% <u>n/a</u>	2,381	1,910 1,248	n/a n/a <u>52%</u>
TOTAL CAPITAL PROJECTS	17,297,308	17,297,308	79,083	<u>0%</u> _	98,593	(19,510)	<u>-20%</u>
327/328 HOUSING							
Property Taxes & Supplemental Roll Interest Income, Rent Other	4,737,350 112,277 100	4,737,350 112,277 100	18,386 167 <u>60</u>	0% 0% <u>60%</u> _	24,053 16,623 291	(5,667) (16,456) (231)	
TOTAL HOUSING	4,849,727	4,849,727	18,613	0%	40,967	(22,354)	<u>-55%</u>
TOTAL CAPITAL PROJECTS FUNDS	22,147,035	22,147,035	97,696	0%	139,560	(41,864)	-30%



Redevelopment Agency Year to Date Expenditures - Fiscal Year 2003/04 For the Month of August 2004 17% of Year Complete

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAI	PITAL PROJECTS							
	BAHS Administration BAHS Economic Developme BAHS CIP	108,928 198,098 1,163,802	1,545,675 3,125,435 8,782,152	1,591,154 3,219,800 12,273,879	202,339 430,149 1,185,899	80,924 194,188 <u>2,937,034</u>	283,263 624,337 4,122,933	18% 19% <u>34%</u>
тот	AL CAPITAL PROJECTS	1,470,828	13,453,262	17,084,833	1,818,387	3,212,146	5,030,533	<u>29%</u>
327 ANI	D 328 HOUSING							
	Housing	83,674	5,824,189	5,846,002	144,530	74,486	219,016	<u>4%</u>
TO [*]	TAL HOUSING	83,674	5,824,189	5,846,002	144,530	74,486	219,016	<u>4%</u>
TOTAL	CAPITAL PROJECT FUND	1,554,502	19,277,451	22,930,835	1,962,917	3,286,632	5,249,549	23%

Redevelopment Agency of the City of Morgan Hill Balance Sheet Report - Fiscal Year 2003/04 For the Month of August 2004 17% of Year Complete

	CAPITAL PROJECTS (Fund 317)	Housing (Fund 327/328)
ASSETS	, ,	,
Cash and investments:		
Unrestricted Accounts Receivable	2,559,157	6,760,278
Loans and Notes Receivable ¹	3,309	32,959
Loans and Notes Receivable	3,325,771	24,077,866
Advance to Other Funds		
Fixed Assets ²	71,049	
Other Assets	71,040	
Total Assets	5,959,286	30,871,103
LIABILITIES		
Assessments Devicels and Assessed Linkillities	24.045	40.054
Accounts Payable and Accrued Liabilities Deferred Revenue ³	24,945	19,951
Accrued Vacation and Comp Time	1,143,834	6,269,611
Accrued vacation and Comp Time		
Total liabilities	1,168,779	6,289,562
	1,100,110	3,200,000
FUND BALANCE		
F. of Boltons		
Fund Balance		
Reserved for:		
110001104 1011		
Encumbrances	3,212,146	74,486
Advance to Other Funds		,
Properties Held for Resale	71,049	
Loans and Notes Receivable	2,181,937	17,808,256
		4
Total Reserved Fund balance	5,465,132	17,882,742
Unreserved Fund Balance	(674,625)	6,698,799
Sincosi vod i dila Balanoc	(374,023)	5,030,733
Total Fund Balance	4,790,507	24,581,541
	, , , , , ,	, ,-
Total Liabilities and Fund Balance	5,959,286	30,871,103

¹ Includes Housing Rehab loans and loans for several housing and Agency projects.

² Includes RDA properties held for resale.

³ Includes the deferred payment portion of the loans noted above.



CITY COUNCIL STAFF REPORT

MEETING DATE: September 22, 2004

Prepared By:

Agenda Item # 3

Finance Director

Submitted By:

City Manager

AUGUST 2004 FINANCE & INVESTMENT REPORT

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly Finance and Investment Report for the period ended August 31, 2004. The report covers the first two months of activity for the 2004/2005 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented

CITY OF MORGAN HILL Monthly Financial and Investment Reports

August 31, 2004 - 17% Year Complete



Prepared by:

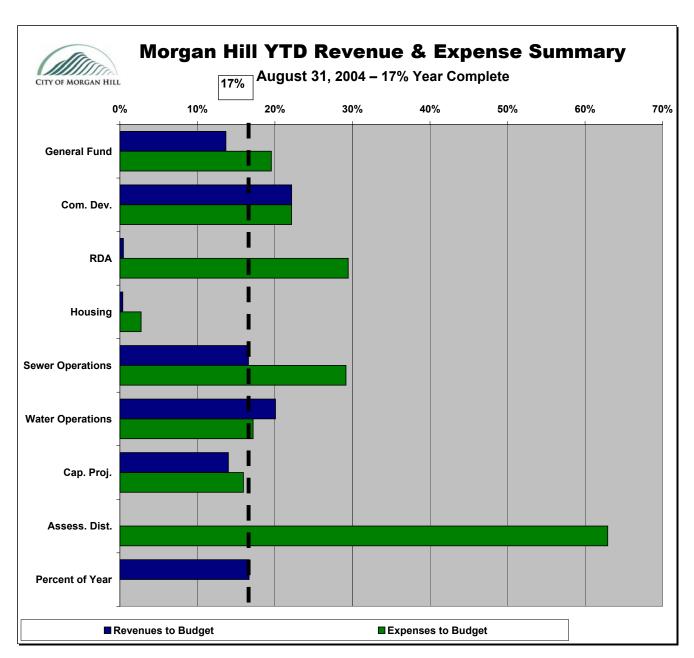
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05 FOR THE MONTH OF AUGUST 2004 - 17% OF YEAR COMPLETE

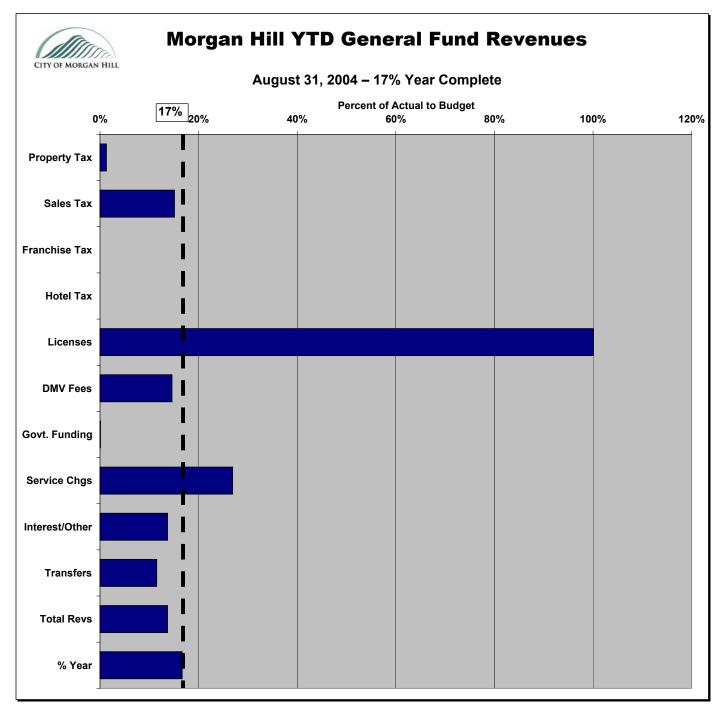
This analysis of the status of the City's financial situation reflects 17% of the year. However, this analysis is somewhat limited. Many of the City's current year revenues have not been received as of this time of the year, such as property taxes, transient occupancy taxes and franchise fees. The beginning of a fiscal year normally reflects a surge in purchasing. This is due to the start of projects included in the new budget and to the season to take advantage of good weather for construction projects.

- * General Fund The revenues received in the General Fund were approximately 14% of the budgeted revenues. Only 1% of property related taxes have been received by the City. The amount of Sales Tax collected was 15% of the sales tax revenue budget and was 10% less than the amount collected for the same period last year. Business license and other permit collections were 100% of the budgeted amount. Business license renewal fees were due in July; therefore most of these collections were normal. Motor Vehicle-in-Lieu revenues were \$208,194. However, the amount of Motor Vehicle-in-lieu fees dropped significantly, beginning in August, consistent with State budget revenue revisions. Interest & Other Revenue were 14% of budget and do not reflect July and August interest earnings that will be posted in October as part of earnings for the quarter ending September.
- * The General Fund expenditures and encumbrances to date totaled 20% of the budgeted appropriations. If the \$633,249 in encumbrances were excluded, only 16% of the budget would have been expended. The outstanding encumbrances in several activities are encumbrances for projects started but not completed in the prior year and carried forward to the current fiscal year.
- * Transient Occupancy (Hotel) Tax The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first quarter ending September 30 have not yet been received and will be received by the City after the end of the quarter.
- * Community Development Revenues were 22% of budget, which was 32% more than the amount collected in the like period for the prior year. Planning expenditures plus encumbrances were 30% of budget; Building has expended or encumbered 14% of budget and Engineering 22%. Community Development has expended or encumbered a combined total of 22% of the 2004/05 budget, including \$363,095 in encumbrances. If encumbrances were excluded, Community Development would have spent only 12% of the combined budget.
- * **RDA and Housing** Only \$91,930 in property tax increment revenues has been received as of August 31, 2004. Expenditures plus encumbrances totaled 23% of budget. If encumbrances totaling \$3,286,632 were excluded, the RDA would have spent only 9% of the combined budget.
- * Water and Sewer Operations- Water Operations revenues, including service fees, were 20% of budget. Expenditures totaled 17% of appropriations. Sewer Operations revenues, including service fees, were 17% of budget. Expenditures for sewer operations were 29% of budget. This higher percentage results from a principal and interest payment on debt service paid in July.
- * Investments maturing/called/sold during this period. There were no investment transactions during the month of August, 2004. Further details of all City investments are contained on pages 6-8 of this report.



	REVENU	JES	EXPENS	8/31/2004	
		% OF	ACTUAL plus	% OF	UNRESTRICTED
FUND NAME	ACTUAL	BUDGET	ENCUMBRANCES	BUDGET	FUND BALANCE
General Fund	\$2,302,906	14%	\$3,716,109	20%	\$9,188,476
Community Development	606,480	22%	757,996	22%	1,296,492
RDA	79,083	0%	5,030,534	29%	(674,625)
Housing/CDBG	18,613	0%	325,792	3%	6,756,590
Sewer Operations	933,199	17%	1,904,557	29%	2,602,031
Sewer Other	224,224	17%	901,861	21%	11,745,666
Water Operations	1,737,890	20%	1,411,029	17%	3,515,391
Water Other	43,885	1%	799,371	16%	2,531,351
Other Special Revenues 1	54,656	7%	740,624	36%	2,893,852
Capital Projects & Streets Funds	719,500	14%	1,822,322	16%	22,717,423
Debt Service Funds		n/a	147,095	63%	359,122
Internal Service	746,226	14%	1,020,275	21%	4,673,323
Agency	299,862	12%	1,581,624	64%	2,655,143
		T		1	
TOTAL FOR ALL FUNDS	\$7,766,524	10%	\$20,159,189	22%	\$70,260,235

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds

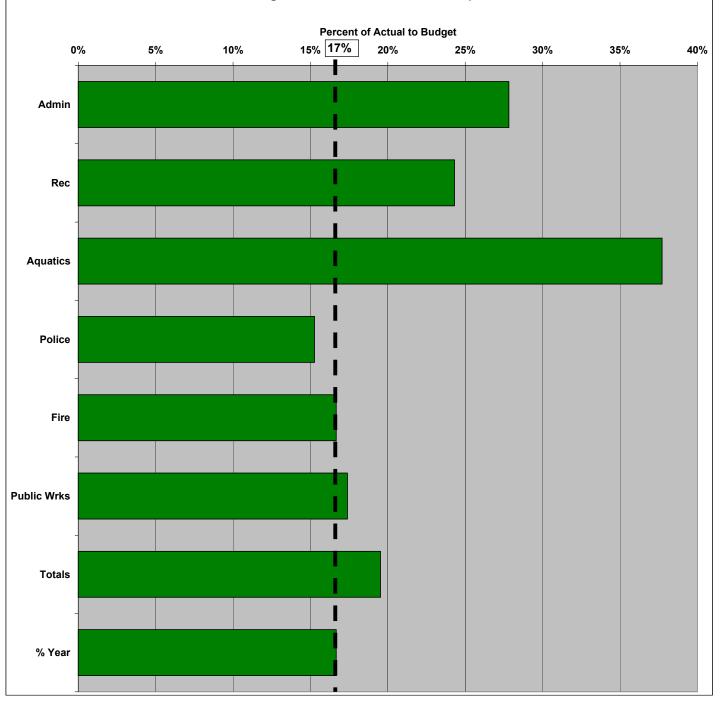


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
REVENUE CATEGORT	BODGET	ACTUAL	BODGET	TODATE	PRIOR TEAR
PROPERTY RELATED TAXES	\$3,328,396	\$42,366	1%	\$14,974	
SALES TAXES	\$4,852,000	\$730,648	15%	\$813,279	-10%
FRANCHISE FEE	\$965,000				
HOTEL TAX	\$945,000				
LICENSES/PERMITS	\$201,720	\$201,870	100%	\$126,536	60%
MOTOR VEHICLE IN LIEU	\$1,423,800	\$208,194	15%	\$196,555	6%
FUNDING - OTHER GOVERNMENTS	\$304,400	\$387	0%	\$334	16%
CHARGES CURRENT SERVICES	\$3,535,076	\$952,414	27%	\$405,740	135%
INTEREST & OTHER REVENUE	\$881,461	\$120,677	14%	\$96,440	25%
TRANSFERS IN	\$403,100	\$46,350	12%	\$103,334	-55%
TOTALS	\$16,839,953	\$2,302,906	14%	\$1,757,192	31%



Morgan Hill YTD General Fund Expenditures

August 31, 2004 – 17% Year Complete



		Actual Plus	
Expenditure Category	Budget	Encumbrances	% of Budget
ADMINISTRATION	5,696,362	1,605,097	28%
RECREATION	294,331	61,546	24%
AQUATICS	1,203,359	453,902	38%
POLICE	8,021,353	1,224,466	15%
FIRE	4,194,617	699,175	17%
PUBLIC WORKS	723,474	125,825	17%
TOTALS	\$ 19,029,162	\$ 3,716,109	20%



City of Morgan Hill Fund Activity Summary - Fiscal Year 2004/05 For the Month of August 2004 17% of Year Completed

		Unaudited	Revenues		Expenses		Year to-Date	Ending Fun	d Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-04	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$10,610,012	\$2,302,906	14%	\$3,091,193	16%	(\$788,287)	\$633,249	\$9,188,476	\$10,228,005	\$6,150
TOTAL G	ENERAL FUND	<u>\$10,610,012</u>	<u>\$2,302,906</u>	<u>14%</u>	<u>\$3,091,193</u>	<u>16%</u>	<u>(\$788,287)</u>	<u>\$633,249</u>	<u>\$9,188,476</u>	<u>\$10,228,005</u>	<u>\$6,150</u>
202	STREET MAINTENANCE	\$1,464,309	\$221,207	16%	\$179,998	9%	\$41,209	\$424,305	\$1,081,213	\$1,352,440	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$321,965	, , ,	n/a	\$29,253	17%	(\$29,253)	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$292,712	\$292,711	
206	COMMUNITY DEVELOPMENT	\$1,448,008	\$606,480	22%	\$394,901	12%	\$211,579	\$363,095	\$1,296,492	\$1,711,442	
207	GENERAL PLAN UPDATE	\$231,919	\$25,918	32%	\$7,088	5%	\$18,830	\$217,797	\$32,952	\$250,951	
210	COMMUNITY CENTER	\$99,678	\$8,333	16%		n/a	\$8,333		\$108,011	\$108,011	
215 / 216	CDBG	\$565,206		n/a	\$22,356	6%	(\$22,356)	485,058	\$57,792	\$105,704	
220	MUSEUM RENTAL			n/a		n/a					
225	ASSET SEIZURE	\$38,956		n/a		n/a			\$38,956	\$38,956	
229	LIGHTING AND LANDSCAPE	(\$1,236)		n/a	\$10,151	47%	(\$10,151)	\$54,693	(\$66,080)	(\$10,754)	
232	ENVIRONMENTAL PROGRAMS	\$674,981	\$14,447	4%	\$77,384	17%	(\$62,937)	\$145,447	\$466,597	\$615,494	
234	MOBILE HOME PK RENT STAB.	\$168,462		n/a	\$247	0%	(\$247)	\$195,343	(\$27,128)	\$168,215	
235	SENIOR HOUSING	\$252,691		n/a					\$252,691	\$252,691	
236	HOUSING MITIGATION	\$1,141,855		n/a	-			-	\$1,141,855	\$1,141,854	
240	EMPLOYEE ASSISTANCE	\$80,549	\$5,958	21%	3,221	13%	\$2,737		\$83,286	\$76,316	
247	ENVIRONMENT REMEDIATION	\$570,000	-	n/a					\$570,000	\$570,000	
TOTAL S	PECIAL REVENUE FUNDS	<u>\$7,057,343</u>	<u>\$882,343</u>	<u>17%</u>	<u>\$724,599</u>	<u>9%</u>	<u>\$157,744</u>	<u>\$1,885,738</u>	\$5,329,349	<u>\$6,674,031</u>	
	,									1	
301	PARK DEV. IMPACT FUND	\$3,790,078	\$93,721	16%	\$27,627	1%	\$66,094	\$39,306	\$3,816,866		\$3,856,172
302	PARK MAINTENANCE	\$3,047,206	\$24,970	10%			\$24,970		\$3,072,176	\$3,072,176	
303	LOCAL DRAINAGE	\$3,027,986	\$106,824	44%	\$256	0%	\$106,568		\$3,134,554		\$3,134,554
304	LOCAL DRAINAGE/NON-AB1600	\$3,249,120		n/a	\$278	0%	(\$278)	\$13,070	\$3,235,772	\$3,128,842	
305	OFF-STREET PARKING			n/a	-	n/a				\$27	
306	OPEN SPACE	\$699,078	\$46,529	28%	492	201	\$46,037	\$10,000	\$735,115	\$745,115	00.045.504
309	TRAFFIC IMPACT FUND	\$3,113,514	\$145,539	22%	\$28,522	2%	\$117,017	\$431,027	\$2,799,504		\$3,215,534
311	POLICE IMPACT FUND	\$83,370	\$5,864	15%	\$990	1%	\$4,874	\$10,000	\$78,244		\$88,244
313	FIRE IMPACT FUND	\$2,333,569	\$12,163	9% 0%	\$230	0%	\$11,933	\$9,101	\$2,336,401	CO EEO 4E7	\$2,345,502
317	REDEVELOPMENT AGENCY	\$6,529,812	\$79,083		\$1,818,388	11% 2%	(\$1,739,305)	5,465,132	(\$674,625)	\$2,559,157	
340	HOUSING MORGAN HILL BUS.RANCH I	\$24,707,457 \$49,375	\$18,613	0% n/a	\$144,530	2%	(\$125,917)	17,882,742	\$6,698,798 \$49,375	\$6,760,278 \$49,375	
340 342	MORGAN HILL BUS.RANCH II	\$55,451		21%		-			\$55,451	\$55,451	
346	PUBLIC FACILITIES NON-AB1600	\$936,101	-	n/a	101,613		(\$101,613)	\$513,533	\$320,955	\$834,488	
347	PUBLIC FACILITIES IMPACT FUND	\$314,608	\$9,284	12%	\$228	2%	\$9,056	9,750	\$313,914	φου4,400	\$286,995
348	LIBRARY IMPACT FUND	\$490,953	\$5,572	1%	\$34	0%	\$5,538	9,730	\$496,491		\$496,493
350	UNDERGROUNDING	\$1,156,621	38,676	16%	\$65	0%	\$38,611	31,897	\$1,163,335	\$1,197,608	Ψ+30,+33
360	COMM/REC CTR IMPACT FUND	\$18,906	9,151	16%	φυσ	0%	\$9,151	31,097	\$28,057	\$28,057	
	APITAL PROJECT FUNDS	\$53,603,205	\$595,989	2%	\$2,123,253	7%	(\$1,527,264)	\$24,415,558	\$27,660,383	\$18,430,574	\$13,423,494
							,,		. , , , , , , , , , , ,		
527	HIDDEN CREEK			n/a							
533	DUNNE/CONDIT			n/a							
536	ENCINO HILLS	\$69,554		n/a					\$69,554	\$69,554	
539	MORGAN HILL BUS. PARK	\$12,133		n/a					\$12,133	\$12,133	
542	SUTTER BUSINESS PARK	\$25,470		n/a					\$25,470	\$25,470	
545	COCHRANE BUSINESS PARK	\$375,254		n/a	\$145,635	75%	(\$145,635)		\$229,619	\$48,669	\$180,950
551	JOLEEN WAY	\$23,806		n/a	\$1,460	4%	(\$1,460)		\$22,346	\$5,097	\$17,250
TOTAL D	EBT SERVICE FUNDS	\$506,217		n/a	<u>\$147,095</u>	<u>63%</u>	(\$147,095)		\$359,122	\$160,923	\$198,200

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City of Morgan Hill Fund Activity Summary - Fiscal Year 2004/05 For the Month of August 2004 17% of Year Completed

		Un availte d	D	11 /0 01 10	- Completed	1	Vanuta Data	Fardina Fra	d Dalamas	0	
E		Unaudited	Revenues	0/ - 5	Expenses	0/ - 5	Year to-Date	Ending Fur	id Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or	4			2
No.	Fund	06-30-04	Actual	Budget	Actual	Budget	Carryover	Reserved'	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$14,259,201	\$933,199	17%	\$1,760,177	27%	(\$826,978)	\$10,830,192	\$2,602,031	\$2,339,953	\$1,849,400
641	SEWER IMPACT FUND	\$8,902,345	\$224,224	19%	\$142,676	4%	\$81,548	3,258,354	\$5,725,539	Ψ2,000,000	\$6,314,572
642	SEWER RATE STABILIZATION	\$3,975,411	ΨΖΖ¬,ΖΖ¬	n/a	\$353	17%	(\$353)	0,200,004	\$3,975,058	\$3,975,059	ψ0,014,072
643	SEWER-CAPITAL PROJECTS	\$9,457,006		n/a	\$14,659	2%	(\$14,659)	7,397,278	\$2,045,069	\$2,737,410	
650	WATER OPERATIONS	\$22,165,068	\$1,737,890	20%	\$754,103	10%	\$983,787	\$19,633,464	\$3,515,391	\$3,244,801	\$390,261
651	WATER OF ERATIONS WATER IMPACT FUND	\$3,287,158	\$43,885	1%	\$31,656	1%	\$12,229	3,828,831	(\$529,445)	Ψ3,244,001	(\$86,775)
652	WATER MIPACT FORD WATER RATE STABILIZATION	\$26,627	Ψ43,003	n/a	\$82	17%	(\$82)	3,020,031	\$26,545	\$26,545	(\$00,113)
653	WATER CAPITAL PROJECT				\$92,237	5%		E 467 277			
		\$8,593,863		n/a	\$92,237	5%	(\$92,237)	5,467,377	\$3,034,251	\$3,266,977	
TOTAL E	NTERPRISE FUNDS	<u>\$70,666,679</u>	<u>\$2,939,198</u>	<u>13%</u>	<u>\$2,795,943</u>	<u>12%</u>	<u>\$143,255</u>	<u>\$50,415,496</u>	<u>\$20,394,439</u>	<u>\$15,590,745</u>	<u>\$8,467,458</u>
730	DATA PROCESSING	\$509,271	\$38,495	14%	\$44,828	10%	(\$6,333)	73,614	\$429,324	\$451,883	
740	BUILDING MAINTENANCE	\$772,233	\$275,435	17%	\$127,774	9%	\$147,661	36,988	\$882,906	\$948,062	
745	CIP ADMINISTRATION	\$16,580	\$150,266	11%	\$150,266	10%		93,582	(\$77,002)	\$68,582	
760	UNEMPLOYMENT INS.	\$37,078		n/a					\$37,078	\$37,078	
770	WORKER'S COMP.	(\$56,047)	\$159,905	18%	\$188,108	24%	(\$28,203)	20,825	(\$105,075)	\$447,130	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,386,260	\$50,842	14%	\$262	0%	\$50,580	554,033	\$2,882,807	\$2,882,807	
793	CORPORATION YARD	\$283,120		n/a	\$1,613	1%	(\$1,613)	274,744	\$6,763	\$16,498	
795	GEN'L LIABILITY INS.	\$850,702	\$71,283	16%	\$305,463	71%	(\$234,180)	,	\$616,522	\$942,339	
TOTAL IN	ITERNAL SERVICE FUNDS	\$5,799,197	\$746,226	4.40/	\$818,314	17%	(\$72,088)		\$4,673,323	¢E 704 270	\$40,000
IOIALI	TERNAL SERVICE FUNDS	<u> </u>	<u>\$140,220</u>	<u>14%</u>	<u>\$010,314</u>	11 70	<u>(\$72,000)</u>		<u>\$4,673,323</u>	<u>\$5,794,379</u>	<u>\$40,000</u>
000	CDECIAL DEDOCITO			1	1		1		1	#700 C70	
820	SPECIAL DEPOSITS	#204 020		- /-	#200 0C0	-	(\$000 0C0)		¢00.077	\$799,673	
841	M.H. BUS.RANCH A.D.	\$381,939		n/a	\$299,862		(\$299,862)		\$82,077	\$82,077	
842	M.H. BUS. RANCH II A.D.	\$32,149	-	n/a	00.47.750	n/a	(00.17.750)		\$32,149	\$32,149	0000 500
843	M.H. BUS. RANCH 1998	\$1,296,306	****	n/a	\$647,756	73%	(\$647,756)		\$648,550	(\$235,335)	\$886,568
844	MH RANCH RSMNT 2004A	\$186,745	\$299,862		\$1,924	0%	\$297,938		\$484,683	(\$1,519)	\$486,187
845	MADRONE BP-TAX EXEMPT	\$1,298,413			\$496,958	62%	(\$496,958)		\$801,455	\$4,125	\$799,148
846	MADRONE BP-TAXABLE	\$251,708		12%	\$97,178	55%	(\$97,178)		\$154,529	\$587	\$154,294
848	TENNANT AVE.BUS.PK A.D.	\$430,286		n/a		na			\$430,286	\$430,286	
881	POLICE DONATION TRUST FUND	\$21,414		n/a					\$21,414		\$21,413
TOTAL A	GENCY FUNDS	\$3,898,960	\$299,862	12%	\$1,543,678	63%	(\$1,243,816)		\$2,655,143	\$1,112,043	\$2,347,610
SUMMAR	RY BY FUND TYPE										
					** *** ***		/a=== ===\T				
	GENERAL FUND GROUP	\$10,610,012	\$2,302,906	14%	\$3,091,193	16%	(\$788,287)	\$633,249	\$9,188,476	\$10,228,005	\$6,150
	SPECIAL REVENUE GROUP	\$7,057,343	\$882,343	17%	\$724,599	9%	\$157,744	\$1,885,738	\$5,329,349	\$6,674,031	
	DEBT SERVICE GROUP	\$506,217		n/a	\$147,095	63%	(\$147,095)		\$359,122	\$160,923	\$198,200
	CAPITAL PROJECTS GROUP	\$53,603,205	\$595,989	2%	\$2,123,253	7%	(\$1,527,264)	\$24,415,558	\$27,660,383	\$18,430,574	\$13,423,494
	ENTERPRISE GROUP	\$70,666,679	\$2,939,198	13%	\$2,795,943	12%	\$143,255	\$50,415,496	\$20,394,439	\$15,590,745	\$8,467,458
	INTERNAL SERVICE GROUP	\$5,799,197	\$746,226	14%	\$818,314	17%	(\$72,088)		\$4,673,323	\$5,794,379	\$40,000
	AGENCY GROUP	\$3,898,960	\$299,862	12%	\$1,543,678	63%	(\$1,243,816)		\$2,655,143	\$1,112,043	\$2,347,610
	TOTAL ALL GROUPS	<u>\$152,141,613</u>	<u>\$7,766,524</u>	<u>10%</u>	<u>\$11,244,075</u>	<u>12%</u>	<u>(\$3,477,551)</u>	<u>\$77,350,041</u>	<u>\$70,260,235</u>	\$57,990,700	<u>\$24,482,912</u>
	TOTAL CASH AND INVESTMENTS									\$82,473,612	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT FOR THE MONTH OF AUGUST 2004 FOR THE FISCAL YEAR OF 2004-05

	Invested		Book Value	Investment Category	% of	Market
	in Fund	Yield	End of Month	Subtotal at Cost	Total	Value
<u>Investments</u>					•	
State Treasurer LAIF - City	All Funds Pooled	1.60%	\$21,493,155		26.05%	\$21,458,426
- RDA	RDA	1.60%	\$2,788,701		3.38%	\$2,784,195
- Corp Yard	Corp Yard	1.60%	\$52,390		0.06%	\$52,306
Federal Issues	All Funds Pooled	3.20%	\$49,245,652		59.71%	\$49,066,745
SVNB CD	All Funds Pooled	2.50%	\$2,000,000		2.43%	\$2,000,000
Money Market	All Funds Pooled	0.99%	\$208,014	\$75,787,912	0.25%	\$208,014
Bond Reserve Accounts - held by trustees						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,805,246			
Blackrock Provident Temp Fund		0.96%	\$44,154		2.24%	\$3,246,656 *
US Bank - 1999 Water C.O.P.	144.4	0.400/	*****		0.470/	******
First American Treasury Obligation US Bank - MH Ranch 98	Water MH Ranch	0.46%	\$390,261		0.47%	\$390,261 *
First American Treasury Obligation	Agency Fund	0.46%	\$886,568		1.07%	\$886,568 *
US Bank - Madrone Bus Park Tax Exempt	Madrone Bus Park	0.4070	Ψ000,300		1.07 /0	ψ000,000
First American Treasury Obligation	Agency Fund	0.46%	\$799,148		0.97%	\$799,148 *
US Bank - Madrone Bus Park Taxable	Madrone Bus Park	0.1070	ψ/ 00,110		0.01 70	Ψ700,110
First American Treasury Obligation	Agency Fund	0.46%	\$154,294		0.19%	\$154,294 *
BNY - MH Ranch 2004 A	MH Ranch Bus Park		, , ,			, , ,
Blackrock Provident Temp Fund	Agency Fund	0.96%	\$486,187	\$4,565,858	0.59%	\$486,187 *
Checking Accounts	,					
General Checking	All Funds		\$1,500,000		1.82%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$573,692		0.70%	\$573,692
Athens Administators Workers' Comp	Workers' Comp		\$40,000		0.05%	\$40,000
Petty Cash & Emergency Cash	Various Funds	-	\$6,150	\$2,119,842	0.01%	\$6,150
Total Cash and Investments			\$82,473,612	<u>\$82,473,612</u>	100.00%	\$83,652,642
MH Financing Authority Investment in MH Ranch AD Imprvmt Bond Series 2004	ı	1.75% to 4.50%	<u>\$4,795,000</u>			<u>Unavailable</u>

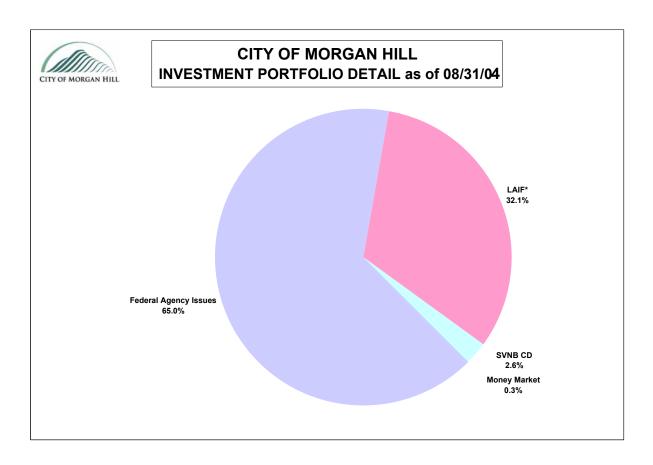
CASH ACTIVITY SUMMARY FY 04/05

	07/01/04	Change in	08/31/04		
Fund Type	Balance	Cash Balance	Balance	Restricted	Unrestricted
General Fund	\$11,251,176	(\$1,017,021)	\$10,234,155	\$6,150	\$10,228,005
Community Development	\$1,555,526	\$155,916	\$1,711,442	\$0	\$1,711,442
RDA (except Housing)	\$5,955,036	(\$3,395,879)	\$2,559,157	\$0	\$2,559,157
Housing / CDBG	\$7,243,899	(\$377,917)	\$6,865,982	\$0	\$6,865,982
Water - Operations	\$3,242,883	\$392,179	\$3,635,062	\$390,261	\$3,244,801
Water Other	\$3,447,242	(\$240,495)	\$3,206,747	(\$86,775)	\$3,293,522
Sewer - Operations	\$5,046,582	(\$857,229)	\$4,189,353	\$1,849,400	\$2,339,953
Sewer Other	\$13,120,437	(\$93,396)	\$13,027,041	\$6,314,572	\$6,712,469
Other Special Revenue	\$3,497,619	\$6,826	\$3,504,445	\$0	\$3,504,445
Streets and Capital Projects (except RDA)	\$24,081,191	(\$194,118)	\$23,887,073	\$13,423,494	\$10,463,579
Assessment Districts	\$504,783	(\$145,660)	\$359,123	\$198,200	\$160,923
Internal Service	\$6,289,761	(\$455,382)	\$5,834,379	\$40,000	\$5,794,379
Agency Funds	\$4,808,182	(\$1,348,529)	\$3,459,653	\$2,347,610	\$1,112,043
Total	<u>\$90,044,317</u>	<u>(\$7,570,705)</u>	<u>\$82,473,612</u>	<u>\$24,482,912</u>	\$57,990,700

Note: See Investment Porfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports. *Market Value as of 06/30/04

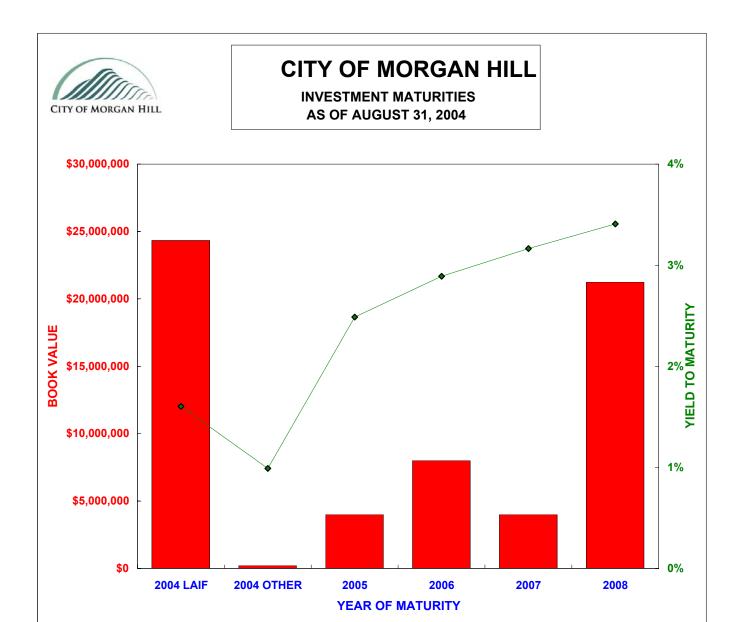
I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by:		Approved by:		
4	Lourdes Reroma Accountant I	, , , , , , , , , , , , , , , , , , ,	Jack Dilles Director of Finance	
Verified by:	Tina Reza Assistant Director of Finance		Mike Roorda City Treasurer	



Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*		\$24,334,246	32.11%	\$24,294,926	1.604%	\$78,254			0.003
SVNB CD	07/07/03	\$2,000,000	2.64%	\$2,000,000	2.500%	\$5,856		07/07/05	0.847
Federal Agency Issues									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.64%	\$2,000,620	2.474%	\$8,336	09/21/04	11/21/05	1.222
Fed Home Loan Bank	02/26/04	\$2,000,000	2.64%	\$2,000,000	2.563%	\$8,722	11/26/04	05/26/06	1.732
Fed Home Loan Bank	06/02/04	\$2,000,000	2.64%	\$2,000,000	3.100%	\$10,503	09/02/04	06/02/06	1.751
Fed Home Loan Bank	06/07/04	\$2,000,000	2.64%	\$2,000,620	3.250%	\$11,011	09/07/04	09/07/06	2.016
Fed Home Loan Bank	03/29/04	\$2,000,000	2.64%	\$1,977,500	2.650%	\$8,929	09/29/04	12/29/06	2.326
Fed Home Loan Bank	03/18/04	\$2,000,000	2.64%	\$1,998,760	3.030%	\$10,210	09/18/04	06/18/07	2.795
Fed Home Loan Bank	03/29/04	\$2,000,000	2.64%	\$1,977,500	3.300%	\$11,120	09/28/04	12/28/07	3.323
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.64%	\$2,000,960	3.500%	\$11,793	09/12/04	03/12/08	3.529
Fed Home Loan Bank	03/26/03	\$2,000,000	2.64%	\$1,998,760	3.375%	\$11,372	anytime	03/26/08	3.567
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.64%	\$2,004,220	3.600%	\$12,197	10/16/04	04/16/08	3.625
Fed Home Loan Mgt Corp	04/17/03	\$1,995,652	2.63%	\$2,004,020	3.625%	\$12,709	10/17/04	04/17/08	3.627
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.64%	\$1,986,880	3.210%	\$10,875	12/03/04	06/03/08	3.756
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.64%	\$1,969,380	2.950%	\$9,995	10/30/04	06/12/08	3.781
Fed Home Loan Bank	07/30/03	\$2,000,000	2.64%	\$1,969,380	3.000%	\$10,161	10/30/04	07/30/08	3.912
Fed Home Loan Bank	07/30/03	\$2,000,000	2.64%	\$1,986,880	3.243%	\$11,075	10/30/04	07/30/08	3.912
Fed Home Loan Bank	07/30/03	\$2,000,000	2.64%	\$1,993,760	3.400%	\$11,515	10/30/04	07/30/08	3.912
Fed Home Loan Bank	08/14/03	\$1,250,000	1.65%	\$1,253,125	3.690%	\$7,832	11/14/04	08/14/08	3.953
Fed Home Loan Bank	10/15/03	\$2,000,000	2.64%	\$2,005,000	4.000%	\$6,776	10/15/04	10/15/08	4.123
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.64%	\$1,957,500	3.650%	\$12,299	anytime	03/16/09	4.540
Fed Home Loan Bank	03/26/04	\$2,000,000	2.64%	\$2,002,500	4.000%	\$13,478	09/26/04	03/26/09	4.567
Fed Home Loan Bank	04/06/04	\$2,000,000	2.64%	\$1,990,620	3.625%	\$12,281	10/06/04	04/06/09	4.597
Fed Home Loan Bank	04/07/04	\$2,000,000	2.64%	\$1,990,000	3.600%	\$12,197	10/07/04	04/07/09	4.600
Fed National Mortgage	04/16/04	\$2,000,000	2.64%	\$1,999,380	3.750%	\$12,705	10/16/04	04/16/09	4.625
Fed Home Loan Bank	04/29/04	\$2,000,000	2.64%	\$1,996,880	3.750%	\$12,705	10/29/04	04/29/09	4.660
Fed Home Loan Bank	05/18/04	\$2,000,000	2.64%	\$2,002,500	4.500%	\$15,163	09/18/04	05/18/09	4.712
Sub Total/Average		\$49,245,652	64.98%	\$49,066,745	3.204%	\$275,959			3.562
Money Market		\$208,014	0.27%	\$208,014	0.990%	\$91			0.003
TOTAL/AVERAGE		\$75,787,912	100.00%	\$75,569,686	2.786%	\$360,160			2.342

^{*}Per State Treasurer Report dated 08/31/2004, LAIF had invested approximately 14% of its balance in Treasury Bills and Notes, 17% in CDs, 13% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 56% in others.



YEAR OF	BOOK	MARKET	AVERAGE	% OF
MATURITY	VALUE	VALUE	RATE	TOTAL
2004 LAIF	\$24,334,246	\$24,294,926	1.604%	32.11%
2004 OTHER	\$208,014	\$208,014	0.990%	0.27%
2005	\$4,000,000	\$4,000,620	2.487%	5.28%
2006	\$8,000,000	\$7,978,120	2.891%	10.56%
2007	\$4,000,000	\$3,976,260	3.165%	5.28%
2008	\$21,245,652	\$21,172,365	3.408%	28.03%
2009	\$14,000,000	\$13,939,380	3.839%	18.47%
TOTAL	\$75,787,912	\$75,569,686	2.786%	100.00%



FUND			CURRENT			INCR (DECR)	
REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	YTD ACTUAL	% OF BUDGET	PRIOR YTD	FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
TAXES							
Property Taxes - Secured/Unsecured/Prio	2,803,396	2,803,396	-	n/a	-	-	n/a
Supplemental Roll	157,500	157,500	7,668	5%	14,974	(7,306)	-49%
Sales Tax	4,600,000	4,600,000	708,700	15%	789,300	(80,600)	-10%
Public Safety Sales Tax	252,000	252,000	21,948	9%	23,979	(2,031)	-8%
Transient Occupancy Taxes	945,000	945,000	-	n/a	-	-	n/a
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	-	n/a	-	-	n/a
Property Transfer Tax	367,500	367,500	34,698	<u>9%</u>		34,698	<u>n/a</u>
TOTAL TAXES	10,090,396	10,090,396	773,014	8%	828,253	(55,239)	-7%
LICENSES/PERMITS							
Business License	155,000	155,000	201,303	130%	126,280	75,023	59%
Other Permits	46,720	46,720	567	<u>1%</u>	256	311	<u>121%</u>
TOTAL LICENSES/PERMITS	201,720	201,720	201,870	100%	126,536	75,334	60%
FINES AND PENALTIES							
Parking Enforcement	12,000	12,000	1,409	12%	2,677	(1,268)	-47%
City Code Enforcement	35,000	35,000	-	n/a	6,798	(6,798)	-100%
Business tax late fee/other fines	1,200	1,200	211	<u>18%</u>	203	8	<u>4%</u>
TOTAL FINES AND PENALTIES	48,200	48,200	1,620	3%	9,678	(8,058)	-83%
OTHER AGENCIES							
Motor Vehicle in-Lieu	1,423,800	1,423,800	208,194	15%	196,555	11,639	6%
Other Revenue - Other Agencies	304,400	304,400	387	0%	334	53	<u>16%</u>
TOTAL OTHER AGENCIES	1,728,200	1,728,200	208,581	12%	196,889	11,692	6%
CHARGES CURRENT SERVICES							
False Alarm Charge	20,000	20,000	(366)	-2%	(357)	(9)	3%
Business License Application Review	22,000	22,000	3,666	17%	5,784	(2,118)	-37%
Recreation Classes	326,750	326,750	62,669	19%	27,053	35,616	132%
Aquatics Revenue	1,181,625	1,181,625	557,845		-		
General Administration Overhead	1,793,851	1,793,851	298,975	17%	334,663	(35,688)	-11%
Other Charges Current Services	190,850	190,850	29,625	<u>16%</u>	38,597	(8,972)	<u>-23%</u>
TOTAL CURRENT SERVICES	3,535,076	3,535,076	952,414	27%	405,740	(11,171)	-3%
OTHER REVENUE							
Use of money/property	819,261	819,261	114,767	14%	78,899	35,868	45%
Other revenues	14,000	14,000	4,290	<u>31%</u>	7,863	(3,573)	<u>-45%</u>
TOTAL OTHER REVENUE	833,261	833,261	119,057	14%	86,762	32,295	37%
TRANSFERS IN							
Park Maintenance	125,000	125,000	-	n/a	-	-	n/a
Sewer Enterprise	20,000	20,000	3,333	17%	2,917	416	14%
Water Enterprise	20,000	20,000	3,333	17%	2,917	416	14%
Public Safety	175,000	175,000	29,167	17%	45,500	(16,333)	-36%
,	48,100	48,100	8,017	17%		8,017	n/a
Environmental Programs			2 500	17%		2,500	n/a
Environmental Programs HCD Block Grant	15,000	15,000	2,500	17 70			
Environmental Programs		15,000	2,500	<u>n/a</u>	52,000	(52,000)	<u>-100%</u>
Environmental Programs HCD Block Grant		15,000 403,100	46,350		52,000 103,334		



FUND REVENUE	ADOPTED	AMENDED	CURRENT YTD	%	PRIOR	INCR (DECR) FROM PRIOR	% CHANCE
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	674,000	674,000	120,182	18%	68,797	51,385	75%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	700,000	100,000	14%	100,000	-	n/a
Project Reimbursement		-	-	n/a	-	-	n/a
Interest / Other Revenue/Other Charges	29,635	29,635	1,025	<u>3%</u>	340	685	<u>201%</u>
202 STREET MAINTENANCE	1,403,635	1,403,635	221,207	16%	169,137	52,070	31%
204/205 PUBLIC SAFETY TRUST							
Interest Income	6,103	6,103	-	n/a	_	-	n/a
Police Grant/SLEF	100,000	100,000	-	n/a	_	-	n/a
PD Block Grant	,	-	-	n/a	-	-	n/a
CA Law Enforcement Equip.Grant	-	-	-	n/a	-	-	n/a
Federal Police Grant (COPS)	-	-	-	n/a	-	-	n/a
Transfers In	_	_	_	n/a	_	_	n/a
04/205 PUBLIC SAFETY TRUST	106,103	106,103		n/a	-		n/a
06 COMMUNITY DEVELOPMENT							
Building Fees	1,403,000	1,403,000	350,480	25%	334,514	15,966	5%
Planning Fees	791,621	791,621	73,230	9%	64,569	8,661	13%
Engineering Fees	516,500	516,500	182,645	35%	56,255	126,390	225%
Other Revenue/Current Charges	26,188	26,188	125	0%	431	(306)	-71%
Transfers	-	-	_	n/a	5,000	(5,000)	-100%
206 COMMUNITY DEVELOPMENT	2,737,309	2,737,309	606,480	22%	460,769	145,711	32%
207 GENERAL PLAN UPDATE	80,154	80,154	25,918	32%	11,927	13,991	117%
215 and 216 HCD BLOCK GRANT							
HCD allocation	166,440	166,440	-	n/a	-	-	n/a
Interest Income/Other Revenue	9,648	9,648	-	n/a	206	(206)	-100%
<u>Transfers</u>	, -	-	-	<u>n/a</u>	-	-	n/a
15 and 216 HCD BLOCK GRANT	176,088	176,088	-	n/a	206	(206)	-100%
10 COMMUNITY CENTER	52,119	52,119	8,333	16%	-	8,333	n/a
20 MUSEUM RENTAL	, -		-	n/a	-		n/a
25 ASSET SEIZURE	1,020	1,020	_	n/a	_	_	n/a
29 LIGHTING AND LANDSCAPE	130,766	130,766	_	n/a	_	_	n/a
32 ENVIRONMENTAL PROGRAMS	399,491	399,491	14,447	4%	91,559	(77,112)	-84%
34 MOBILE HOME PARK RENT STAB.	5,148	5,148	-	n/a	-	. ,,	n/a
35 SENIOR HOUSING	5,501	5,501	_	n/a	_	_	n/a
36 HOUSING MITIGATION	12,031	12,031	_	n/a	_	-	n/a
40 EMPLOYEE ASSISTANCE	29,059	29,059	5,958	21%	4,062	1,896	47%
247 ENVIRONMENT REMEDIATION	_==,===	_0,000	-	n/a	-,,,,,,	-	n/a
OTAL SPECIAL REVENUE FUNDS	5,138,424	5,138,424	882,343	17%	737,660	144,683	20%



CITY OF MORGAN HILL	17% of Year Co	mpleted					
FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANG
APITAL PROJECTS FUNDS							
01 PARK DEVELOPMENT	578,596	578,596	93,721	16%	235,368	(141,647)	-60%
02 PARK MAINTENANCE	254,863	254,863	24,970	10%	38,315	(13,345)	-35%
03 LOCAL DRAINAGE	243,292	243,292	106,824	44%	45,742	61,082	134%
04 LOCAL DRAINAGE/NON AB1600	146,377	146,377	-	n/a	29,000	(29,000)	-100%
05 OFF-STREET PARKING	-	-	-	n/a	-	-	n/a
06 OPEN SPACE	165,125	165,125	46,529	28%	-	46,529	n/a
09 TRAFFIC MITIGATION	651,916	651,916	145,539	22%	467,480	(321,941)	-69%
11 POLICE MITIGATION	39,568	39,568	5,864	15%	19,854	(13,990)	-70%
13 FIRE MITIGATION	138,417	138,417	12,163	9%	70,597	(58,434)	-83%
17 RDA CAPITAL PROJECTS							
Property Taxes & Supplemental Roll	17,280,277	17,280,277	73,544	0%	96,212	(22,668)	-24%
Development Agreements			-	n/a	-	-	n/a
Interest Income, Rents	17,031	17,031	1,910	11%	-	1,910	n/a
Other Agencies/Current Charges			3,629	<u>n/a</u>	2,381	1,248	<u>52%</u>
17 RDA CAPITAL PROJECTS	17,297,308	17,297,308	79,083	0%	98,593	(19,510)	-20%
27/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	18,386	0%	24,053	(5,667)	-24%
Interest Income, Rent	112,277	112,277	167	0%	16,623	(16,456)	-99%
<u>Other</u>	100	100	60	<u>60%</u>	291	(231)	<u>-79%</u>
27/328 RDA L/M HOUSING	4,849,727	4,849,727	18,613	0%	40,967	(22,354)	-55%
46 PUBLIC FACILITIES NON-AB1600	629,137	629,137	-	n/a	24,000	(24,000)	-100%
47 PUBLIC FACILITIES	74,737	74,737	9,284	12%	30,125	(20,841)	-69%
48 LIBRARY	526,000	526,000	5,572	1%	20,935	(15,363)	-73%
50 UNDERGROUNDING	242,742	242,742	38,676	16%	-	38,676	n/a
40 MORGAN HILL BUS.RANCH CIP I	1,069	1,069	-	n/a	-	-	n/a
42 MORGAN HILL BUS.RANCH CIP II	1,201	1,201	-	n/a	-	-	n/a
60 COMMUNITY/REC IMPACT FUND	44,399	44,399	9,151	21%	-	9,151	n/a
OTAL CAPITAL PROJECTS FUNDS	25,884,474	25,884,474	595,989	2%	1,120,976	(524,987)	-47%
DEBT SERVICE FUNDS							
	_			,			
27 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
33 DUNNE AVE. / CONDIT ROAD	4 40-	4 40-	-	n/a	-	-	n/a
36 ENCINO HILLS	1,495	1,495	-	n/a	-	-	n/a
39 MORGAN HILL BUSINESS PARK	250	250	-	n/a	-	-	n/a
42 SUTTER BUSINESS PARK	552	552	-	n/a	-	-	n/a
45 COCHRANE BUSINESS PARK 51 JOLEEN WAY	279,134 41,235	279,134 41,235	-	n/a n/a	-	-	n/a n/a
J. JOLLEN WAT	71,233	71,233	-	11/0	_	-	ıı/a
OTAL DEBT SERVICE FUNDS	322,666	322,666	-	n/a	-	-	n/a



TOTAL INTERNAL SERVICE FUNDS

City of Morgan Hill Year to Date Revenues - Fiscal Year 2004/05 For the Month of August 2004

17% of Year Completed FUND CURRENT INCR (DECR) **ADOPTED AMENDED PRIOR** REVENUE YTD % FROM PRIOR % SOURCE **BUDGET BUDGET** ACTUAL **OF BUDGET** YTD YTD CHANGE **ENTERPRISE FUNDS 640 SEWER OPERATION** 918,290 5,459,000 5,459,000 17% 746,770 171,520 23% Sewer Service Fees Interest Income 59,437 59,437 n/a 44,162 (44, 162)-100% Other Revenue/Current Charges 110,500 110,500 14,909 13% 25,202 (10,293)<u>-41%</u> **640 SEWER OPERATION** 5,628,937 5,628,937 933,199 17% 816,134 117,065 14% **641 SEWER EXPANSION** 94,826 94,826 Interest Income n/a n/a 224,092 743,011 (518,919)Connection Fees 1,100,000 1,100,000 20% -70% Other 132 132 n/a n/a **641 SEWER EXPANSION** 1,194,826 1,194,826 224,224 19% 743,143 (518,919)-70% **642 SEWER RATE STABILIZATION** 84,161 84.161 n/a n/a 643 SEWER-CAPITAL PROJECT 36,527 36,527 n/a n/a **TOTAL SEWER FUNDS** 6,944,451 6,944,451 1,157,423 17% 1,559,277 (401,854) -26% **650 WATER OPERATION** 1,593,679 27% 1,306,247 22% 5,821,375 5,821,375 287,432 Water Sales Meter Install & Service 40,000 40,000 20,790 52% 12,174 8,616 71% Transfers-In, and Interest Income 2,516,848 2,516,848 2,544 0% 174,645 (172, 101)-99% 279,688 279,688 120,877 524,353 (403,476)Other Revenue/Current Charges 43% -77% **650 WATER OPERATION** 8,657,911 8,657,911 1,737,890 20% 2,017,419 (279, 529)-14% **651 WATER EXPANSION** 5,000,000 5,000,000 Interest Income/Other Revenue/Transfer n/a n/a Water Connection Fees 200,000 200,000 43,885 22% 124,430 (80,545)-65% **651 WATER EXPANSION** 5,200,000 5,200,000 43,885 1% 124,430 (80,545)-65% 652 Water Rate Stabilization 445 445 n/a n/a 653 Water Capital Project 1,016,646 1,016,646 n/a n/a **TOTAL WATER FUNDS** 14,875,002 14,875,002 1,781,775 12% 2,141,849 (360,074) -17% **TOTAL ENTERPRISE FUNDS** 21,819,453 21,819,453 2,939,198 13% 3,701,126 -21% (761,928)**INTERNAL SERVICE FUNDS** 730 INFORMATION SERVICES 279,995 38,495 14% 40,875 (2,380)279.995 -6% 740 BUILDING MAINTENANCE SERVICES 1.652.610 1.652.610 275.435 17% 148.507 126.928 85% 745 CIP ADMINISTRATION 1,395,765 1,395,765 150,266 11% 197,664 (47,398)-24% **760 UNEMPLOYMENT INSURANCE** 60,484 60,484 n/a n/a 770 WORKERS COMPENSATION 875,300 875,300 159.905 18% 72.827 87.078 120% **790 EQUIPMENT REPLACEMENT** 373,009 373,009 50,842 14% 33,958 16,884 50% **793 CORPORATION YARD COMMISSION** 136,715 136,715 n/a 25,534 (25,534)-100% 795 GENERAL LIABILITY INSURANCE 453,709 453,709 71,283 16% 9,349 15% 61,934

746,226

14%

581,299

164,927

28%

5,227,587

5,227,587



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	CHANGE
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	-	-	-	n/a	-	-	n/a
842 M.H. BUS.RANCH A.D. II	-	-	-	n/a	-	-	n/a
843 M.H. BUS.RANCH 1998	905,353	905,353	-	n/a	779	(779)	-100%
844 M.H. RANCH REFUNDING 2004A	619,142	619,142	299,862	48%	703	299,159	42555%
845 MADRONE BP-TAX EXEMPT	826,553	826,553	-	n/a	136	(136)	-100%
846 MADRONE BP-TAXABLE	179,459	179,459	-	n/a	59,685	(59,685)	-100%
848 TENNANT AVE.BUS.PK A.D.	37,993	37,993	-	n/a	5	(5)	-100%
881 POLICE DONATION TRUST FUND	465	465	-	n/a	-	-	n/a
TOTAL AGENCY FUNDS	2,568,965	2,568,965	299,862	12%	61,308	238,554	389%
TOTAL FOR ALL FUNDS	77,801,522	77,801,522	7,766,524	10%	7,959,561	(229,857)	-3%



FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
010 GE	NERAL FUND							

GENERAL GOVERNMENT							
COUNCIL AND MISCELLANEOUS GOVT.	•						
City Council	11,955	174,319	197,375	27,983	22,285	50,268	25%
Community Promotions	1,066	28,114	28,114	2,432		2,432	<u>9%</u>
COUNCIL AND MISCELLANEOUS GO	13,021	202,433	225,489	30,415	22,285	52,700	23%
CITY ATTORNEY	92,028	566,191	600,022	113,921	266,938	380,859	<u>63%</u>
CITY MANAGER							
City Manager	23,556	318,659	318,659	51,145		51,145	16%
Cable Television	10,912	44,961	46,711	11,888	8,350	20,238	43%
Communications & Marketing	4,787	71,045	71,730	<u>8,465</u>	<u> </u>	8,46 <u>5</u>	12%
CITY MANAGER	39,255	434,665	437,100	71,498	8,350	79,848	18%
RECREATION							
Recreation	23,618	285,551	294,331	52,766	8,780	61,546	21%
Community & Cultural Center	98,571	1,287,874	1,402,661	171,252	179,716	350,968	25%
Aquatics Center	216,612	1,179,260	1,203,359	413,974	39,928	453,902	38%
RECREATION	338,801	2,752,685	2,900,351	637,992	228,424	866,416	30%
HUMAN RESOURCES							
Human Resources	33,273	485,417	485,417	72,708	-	72,708	15%
Volunteer Programs	3,694	55,912	55,912	7,345	<u> </u>	7,345	<u>13%</u>
HUMAN RESOURCES	36,967	541,329	541,329	80,053		80,053	15%
CITY CLERK							
City Clerk	16,385	252,920	253,781	34,108	861	34,969	14%
Elections	3,212	100,296	100,296	6,971	<u> </u>	6,971	<u>7%</u>
CITY CLERK	19,597	353,216	354,077	41,079	861	41,940	12%
FINANCE	89,153	927,325	927,325	154,577	5,250	159,827	17%
MEDICAL SERVICES	-		5,000		5,000	5,000	n/a
TAL GENERAL GOVERNMENT	628,822	5,777,844	5,990,693	1,129,535	537,108	1,666,643	28%
PUBLIC SAFETY							
POLICE	43 005	614 784	614 784	82 853		82 853	130/-
POLICE PD Administration	43,095 315,755	614,784 4 106 920	614,784 4 123 220	82,853 599,492	14 871	82,853 614 363	13% 15%
POLICE PD Administration Patrol	315,755	4,106,920	4,123,220	599,492	14,871 8,405	614,363	15%
POLICE PD Administration Patrol Support Services	315,755 75,472	4,106,920 949,449	4,123,220 952,181	599,492 148,102	8,405	614,363 156,507	15% 16%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat	315,755 75,472 71	4,106,920 949,449 46,252	4,123,220 952,181 50,264	599,492 148,102 1,499	8,405 2,107	614,363 156,507 3,606	15% 16% 7%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations	315,755 75,472 71 133,682	4,106,920 949,449 46,252 1,195,840	4,123,220 952,181 50,264 1,205,249	599,492 148,102 1,499 218,206	8,405	614,363 156,507 3,606 225,252	15% 16% 7% 19%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat	315,755 75,472 71	4,106,920 949,449 46,252 1,195,840 86,078	4,123,220 952,181 50,264 1,205,249 86,078	599,492 148,102 1,499 218,206 11,498	8,405 2,107	614,363 156,507 3,606	15% 16% 7% 19% 13%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control	315,755 75,472 71 133,682 5,844	4,106,920 949,449 46,252 1,195,840	4,123,220 952,181 50,264 1,205,249	599,492 148,102 1,499 218,206	8,405 2,107 7,046	614,363 156,507 3,606 225,252 11,498	15% 16% 7% 19% 13% <u>13%</u>
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control Dispatch Services	315,755 75,472 71 133,682 5,844 68,417	4,106,920 949,449 46,252 1,195,840 86,078 988,927	4,123,220 952,181 50,264 1,205,249 86,078 989,577	599,492 148,102 1,499 218,206 11,498 129,737	8,405 2,107 7,046 650	614,363 156,507 3,606 225,252 11,498 130,387	15% 16% 7% 19% 13% 13%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control Dispatch Services POLICE FIRE	315,755 75,472 71 133,682 5,844 68,417 642,336	4,106,920 949,449 46,252 1,195,840 86,078 988,927 7,988,250 4,194,617	4,123,220 952,181 50,264 1,205,249 86,078 989,577 8,021,353	599,492 148,102 1,499 218,206 11,498 129,737 1,191,387	8,405 2,107 7,046 650	614,363 156,507 3,606 225,252 11,498 130,387 1,224,466	15% 16% 7% 19% 13% 13% 15%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control Dispatch Services POLICE FIRE	315,755 75,472 71 133,682 5,844 68,417 642,336 349,644	4,106,920 949,449 46,252 1,195,840 86,078 988,927 7,988,250	4,123,220 952,181 50,264 1,205,249 86,078 989,577 8,021,353 4,194,617	599,492 148,102 1,499 218,206 11,498 129,737 1,191,387	8,405 2,107 7,046 650 33,079	614,363 156,507 3,606 225,252 11,498 130,387 1,224,466 699,175	15% 16% 7% 19% 13% 15%
POLICE PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control Dispatch Services POLICE FIRE TAL PUBLIC SAFETY	315,755 75,472 71 133,682 5,844 68,417 642,336 349,644	4,106,920 949,449 46,252 1,195,840 86,078 988,927 7,988,250 4,194,617	4,123,220 952,181 50,264 1,205,249 86,078 989,577 8,021,353 4,194,617	599,492 148,102 1,499 218,206 11,498 129,737 1,191,387	8,405 2,107 7,046 650 33,079	614,363 156,507 3,606 225,252 11,498 130,387 1,224,466 699,175	15% 16% 7% 19% 13% 13% 15%
PD Administration Patrol Support Services Emergency Services/Haz Mat Special Operations Animal Control Dispatch Services POLICE	315,755 75,472 71 133,682 5,844 68,417 642,336 349,644	4,106,920 949,449 46,252 1,195,840 86,078 988,927 7,988,250 4,194,617	4,123,220 952,181 50,264 1,205,249 86,078 989,577 8,021,353 4,194,617	599,492 148,102 1,499 218,206 11,498 129,737 1,191,387	8,405 2,107 7,046 650 33,079	614,363 156,507 3,606 225,252 11,498 130,387 1,224,466 699,175	15% 16% 7%



			17 /0 Ul leal	Joinpieleu				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
IV. TRA	NSFERS							
	Public Safety							n/o
	Public Safety Community Development	4,166	50,000	50,000	8,333	-	-	n/a
	Info Systems	-	49,025	49,025	-	-	-	n/a
	Employee Assistance	-			-	-	-	<u>n/a</u>
то	OTAL TRANSFERS	4,166	99,025	99,025	8,333	-	-	n/a
TOTAL (SENERAL FUND	4 675 040	40 76E 200	40,020,462	2 004 402	622 240	2 746 400	200/
TOTAL	GENERAL FUND	1,675,049	18,765,308	19,029,162	3,091,193	633,249	3,716,109	20%
SPECIAL	L REVENUE FUNDS							
0. 20., 1.	- 1121211021 01120							
202 STR	EET MAINTENANCE							
	Street Maintenance/Traffic	95,201	1,593,914	1,677,946	141,615	249,675	391,290	23%
	Congestion Management Street CIP	3,301	80,329 44,993	80,329 215,532	6,565 31,818	174,630	6,565 206.448	8% 06%
202 STR	EET MAINTENANCE	13,544 112,046	1,719,236	1,973,807	179,998	424,305	604,303	<u>96%</u> 31%
•	··· ··· · · · · · · · · · · · · · · ·	,	.,,	-,	,	,	,	
204/205	PUBLIC SAFETY/SUPP.LAW	14,627	175,520	175,520	29,253		29,253	17%
206 CO	MMUNITY DEVELOPMENT FUND							
	Planning	82,323	1,086,783	1,236,714	150,319	215,721	366,040	30%
	Building	66,327	1,038,955	1,055,719	126,112	16,765	142,877	14%
	PW-Engineering	64,357	1,096,107	1,130,449	118,470	130,609	249,079	<u>22%</u>
206 COI	MMUNITY DEVELOPMENT FUND	213,007	3,221,845	3,422,882	394,901	363,095	757,996	22%
207	GENERAL PLAN UPDATE	6,078	60,498	148,335	7,088	217,797	224,885	152%
210	COMMUNITY CENTER	-	-	-	-		-	n/a
215/216	CDBG	20,182	288,007	370,012	22,356	84,420	106,776	29%
220	MUSEUM RENTAL	-	-	-	-		-	n/a
225	ASSET SEIZURE	7.000	44.000	04.054	40.454	E4 C02	-	n/a
229 232	LIGHTING AND LANDSCAPE ENVIRONMENT PROGRAMS	7,660 63,207	14,038 417,937	21,654 443,060	10,151 77,384	54,693 145,447	64,844 222,831	299% 50%
234	MOBILE HOME PARK	124	5,202	200,545	247	195,343	195,590	98%
235	SENIOR HOUSING TRUST FUN		20,180	20,180	-	130,040	100,000	n/a
236	HOUSING MITIGATION FUND	_	1,015,000	1,015,000	-		_	n/a
240	EMPLOYEE ASSISTANCE	2,000	25,000	25,000	3,221	-	3,221	13%
TOTAL S	SPECIAL REVENUE FUNDS	438,931	6,962,463	7,815,995	724,599	1,485,100	2,209,699	28%
							, ,	
CAPITAL	L PROJECT FUNDS							
301	PARK DEVELOPMENT	27,249	2,062,944	2,138,333	27,627	39,306	66,933	3%
301	PARK DEVELOPMENT PARK MAINTENANCE	21,249	150,000	2,138,333 150,000	21,021	39,306	66,933	ა% n/a
303	LOCAL DRAINAGE	128	2,001,536	2,001,536	256		256	11/a 0%
304	LOCAL DRAIN. NON-AB1600	139	841,669	854,739	278	13,070	13,348	2%
305	OFF STREET PARKING	-	-	-	-	,	-	n/a
306	OPEN SPACE	492			492		492	
309	TRAFFIC MITIGATION	21,523	1,050,000	1,480,879	28,522	431,027	459,549	31%
311	POLICE MITIGATION	495	88,937	98,937	990	10,000	10,990	11%
313	FIRE MITIGATION	115	101,380	110,481	230	9,101	9,331	8%
317	RDA HOUSING	1,470,829	13,453,262	17,084,833	1,818,388	3,212,146	5,030,534	29% 49/
327/328 346	RDA HOUSING	83,674 101 925	5,824,189	5,846,002	144,530	74,486 513 533	219,016	4% 53%
346	PUBLIC FAC.NON AB1600 PUBLIC FACILITIES	101,925 114	553,000 1,365	1,158,058 11,115	101,613 228	513,533 9,750	615,146 9,978	90%
348	LIBRARY IMPACT	17	1,000,202	1,000,202	34	9,730	34	0%
350	UNDERGROUNDING	33	375,390	407,287	65	31,897	31,962	8%
360	COMM/REC CTR IMPACT		50,000	50,000		,	,	n/a
TOTAL	CADITAL DOCUMENTS FUNDS	1.706.722	27 552 074	32 202 402	2 422 252	1 2/1 2/1	6 467 EGO	200/
TOTAL	CAPITAL PROJECTS FUNDS	1,706,733	27,553,874	32,392,402	2,123,253	4,344,316	6,467,569	20%



	CITT OF MORGAN HILL		1/% of Year	Completed				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL	PERCENT O TOTAL TO BUDGET
		EXI LITOLO	DODOLI	DODOLI	EXI ENOLO	LITOUMBITATIOL	ALLOGATED	DODGET
DEBT SI	ERVICE FUNDS							
527	HIDDEN CREEK A.D.	-	-	-	-	-	-	n/a
536	ENCINO HILLS A.D.	-	-	-	-	-	-	n/a
539	MORGAN HILL BUS. PARK A.D	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	144,801	194,200	194,200	145,635	-	145,635	75%
551	JOLEEN WAY A.D.	655	39,561	39,561	1,460	-	1,460	4%
TOTAL I	DEBT SERVICE FUNDS	145,456	233,761	233,761	147,095		147,095	63%
ENTERP	PRISE FUNDS							
SEWER		440.000	6 450 040	6 520 207	1 760 477	444.000	1 004 557	200/
640 644	SEWER OPERATION	142,092	6,450,819	6,532,327	1,760,177	144,380	1,904,557	29%
641	CAPITAL EXPANSION	9,082	3,556,745	3,616,298	142,676	51,831	194,507	5%
642	SEWER RATE STABILIZATION	176	2,117	2,117	353	000 0 0	353	17%
643	SEWER-CAPITAL PROJECTS	12,071	472,539	698,940	14,659	692,342	707,001	<u>101%</u>
IOTAL S	SEWER FUND(S)	163,421	10,482,220	10,849,682	1,917,865	888,553	2,806,418	26%
WATER								
	Water Operations Division	464,883	6,541,316	7,027,144	620,122	608,581	1,228,703	17%
	Meter Reading/Repair	30,103	719,352	719,954	79,462	24,000	103,462	14%
	Utility Billing	25,765	392,283	399,560	47,808	19,100	66,908	17%
	Water Conservation	3,160	59,466	64,711	6,711	5,245	11,956	<u>18%</u>
650	WATER OPERATIONS	523,911	7,712,417	8,211,369	754,103	656,926	1,411,029	17%
651	CAPITAL EXPANSION	17,614	2,845,226	2,938,196	31,656	442,669	474,325	16%
652	WATER RATE STABILIZATION	41	493	493	82	442,000	82	17%
653	WATER-CAPITAL PROJECTS	83,770	1,115,923	1,702,745	92,237	232,727	324,964	19%
	WATER-CAPITAL PROJECTS WATER FUND(S)	625,336	11,674,059	12,852,803	878,078	1,332,322	2,210,400	17%
TOTAL E	ENTERPRISE FUNDS	788,757	22,156,279	23,702,485	2,795,943	2,220,875	5,016,818	21%
INTERN	AL SERVICE FUNDS							
730	INFORMATION SERVICES	29,716	430,970	437,880	44,828	21,553	66,381	15%
740	BUILDING MAINTENANCE	94,430	1,343,445	1,369,948	127,774	34,294	162,068	12%
745	CIP ENGINEERING	82,459	1,395,765	1,471,016	150,266	75,305	225,571	15%
760	UNEMPLOYMENT	-,	55,000	55,000	-	,		n/a
770	WORKERS COMPENSATION	179,983	767,200	789,775	188,108	20,825	208,933	26%
790	EQUIPMENT REPLACEMENT	131	187,240	187,240	262	20,020	262	0%
793	CORP YARD COMMISSION	1,613	130,200	173,886	1,613	49,984	51,597	30%
795	GEN. LIABILITY INSURANCE	1,010	427,700	427,700	305,463		305,463	71%
TOTAL I	INTERNAL SERVICE FUNDS	388,332	4,737,520	4,912,445	818,314	201,961	1,020,275	21%
AGENC	Y FUNDS							
841	MORGAN HILL BUS RANCH I		-	-	299,862	-	299,862	n/a
842	MORGAN HILL BUS RANCH II		-	-		-	-	n/a
843	MORGAN HILL BUS RANCH 98	646,738	893,395	893,395	647,756	37,946	685,702	77%
844	MH RANCH RSMNT 2004A	655	598,873	598,873	1,924	-	1,924	0%
345	MADRONE BP-TAX EXEMPT	495,732	800,730	800,730	496,958	_	496,958	62%
846	MADRONE BP-TAXABLE	96,427	175,480	175,480	97,178	-	97,178	55%
848	TENNANT AVE BUS PARK AD	JU, TE1	,-00	. 7 0,400	31,170	-	37,170	n/a
381	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
	AGENCY FUNDS	1,239,552	2,468,478	2,468,478	1,543,678	37,946	1,581,624	64%
			, ,	, ,				
KEPOR1	T TOTAL	6,382,810	82,877,683	90,554,728	11,244,075	8,923,447	20,159,189	22%



City of Morgan Hill Enterprise Funds Report - Fiscal Year 2004/05 For the Month of August 2004 17% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations			Water Operations				
			% of	Prior			% of	Prior
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
Operations								
Revenues								
Service Charges Meter Install & Service	\$ 5,459,000	\$ 918,290	17%	,	\$ 5,821,375 40,000	\$ 1,593,679 20,790	27% 52%	12,174
Other	110,500	14,909	13%	25,202	279,688	123,421	44%	524,353
Total Operating Revenues	5,569,500	933,199	17%	771,972	6,141,063	1,737,890	28%	1,842,774
Expenses								
Operations Meter Reading/Repair Utility Billing/Water Conservation	4,682,409	459,020	10%	684,292	4,750,307 637,156 399,783	550,122 79,462 54,519	12% 12% 14%	766,471 72,213 46,723
Total Operating Expenses	4,682,409	459,020	10%	684,292	5,787,246	684,103	12%	885,407
Operating Income (Loss)	887,091	474,179		87,680	353,817	1,053,787		957,367
Nonoperating revenue (expense)								
Interest Income Interest Expense/Debt Services Principal Expense/Debt Services	59,437 (573,410) (975,000)		50% 100%	44,162 (297,135) (1,115,000)	, , ,			- - -
Total Nonoperating revenue (expense)	(1,488,973)	(1,264,490)		(1,367,973)	(536,697)	-		-
Income before operating xfers	(601,882)	(790,311)		(1,280,293)	(182,880)	1,053,787		957,367
Operating transfers in Operating transfers (out)	- (220,000)	(36,667)	17%	- (68,881)	2,500,000 (420,000)	(70,000)	17%	174,297 (69,583)
Net Income (Loss)	\$ (821,882)	\$ (826,978)		\$ (1,349,174)	\$ 1,897,120	\$ 983,787		\$ 1,062,081



City of Morgan Hill Balance Sheets - Water and Sewer Funds For the Month of August 2004 17% of Year Completed

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	2,339,953	6,712,470	3,244,801	3,293,522
Restricted ¹	1,849,400	6,314,571	390,261	(86,775)
Accounts Receivable		7,489		
Utility Receivables	673,709		1,136,439	
Less Allowance for Doubtful Accounts	(2,633)		(2,751)	
Notes Receivable ² Fixed Assets ³	31,802,422	9,911,459	23,624,143	8,620,812
I INGU ASSELS	31,002,422	9,911,439	23,024,143	0,020,012
Total Assets	36,662,851	22,945,989	28,392,893	11,827,559
LIABILITIES				
Accounts Payable and Accrued Liabilities Deposits for Water Services & Other Deposits Deferred Revenue 4	264,617	544,691	79,306 126,865	
Bonds Payable	25,390,000		5,985,863	
Discount on Bonds and Other Liabilities	(2,705,125)		(957,773)	
Accrued Vacation and Comp Time	53,326	-	9,776	
Total liabilities	23,002,818	544,691	5,244,037	0
FUND EQUITY				
Contributed Capital Retained Earnings	6,686,483		13,047,150	
Reserved for:				
Noncurrent water/sewer assets & debt	9,064,222	9,911,459	18,586,278	8,620,812
Encumbrances	144,380	744,173	656,926	675,396
Notes Receivable Restricted Cash	1 940 400	0	200 261	
Restricted Castr	1,849,400		390,261	
Total Reserved Retained Earnings	11,058,002	10,655,632	19,633,465	9,296,208
Unreserved Retained Earnings	2,602,031	11,745,666	3,515,391	2,531,351
Total Fund Equity	13,660,033	22,401,298	23,148,856	11,827,559
Total Liabilities and Fund Equity	36,662,851	22,945,989	28,392,893	11,827,559

¹ Restricted for Bond Reserve requirements and capital expansion.
² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill Balance Sheets for Major Funds - Fiscal Year 2004/05 For the Month of August 2004 17% of Year Completed

L/M Housing

Sewer

Water

RDA

	(Fund 010)	(Fund 317)	(Fund 327/328)	(Fund 640)	(Fund 650)
ASSETS					
Cash and investments:					
Unrestricted	10,228,032	2,559,157	6,760,278	2,339,953	3,244,801
Restricted ¹	6,150			1,849,400	390,261
Accounts Receivable	906,667	3,309	32,959	670 700	4 400 400
Utility Receivables (Sewer and Water) Less Allowance for Doubtful Accounts				673,709 (2,633)	1,136,439 (2,751)
Loans and Notes Receivable ²	438,407	3,325,771	24,077,866	(2,000)	(=,, 0.)
Prepaid Expense	1,472	-,,	_ 1,011,000		
Fixed Assets ³		71,049		31,802,422	23,624,143
Total Assets	11,580,728	5,959,286	30,871,103	36,662,851	28,392,893
LIABILITIES					
Accounts Payable and Accrued Liabilities	593,839	24,945	19,951	264,617	79,306
Deposits for Water Services & Other Deposits	734,946				126,865
Deferred Revenue 4	430,219	1,143,834	6,269,611		
Bonds Payable Discount on Bonds and Other Liabilities				25,390,000 (2,705,125)	5,985,863 (957,773)
Accrued Vacation and Comp Time				53,326	9,776
Total liabilities	1,759,004	1,168,779	6,289,562	23,002,818	5,244,037
FUND EQUITY					
Contributed Capital				6,686,483	13,047,150
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				9,064,222	18,586,278
Encumbrances	633,249	3,212,146	74,486	144,380	656,926
Restricted Cash		71 040		1,849,400	390,261
RDA properties held for resale Loans and Notes Receivable		71,049 2,181,937	17,808,256		
Total Reserved Fund Equity	633,249	5,465,132		11,058,002	19,633,465
		J, 100, 102	,302,142	,555,552	.0,000,400
Designated Fund Equity ⁵	4,109,213				
Unreserved/Undesignated Fund Equity	5,079,262	(674,625)	6,698,799	2,602,031	3,515,391
Total Fund Equity	9,821,724	4,790,507	24,581,541	13,660,033	23,148,856
Total Liabilities and Fund Equity	11,580,728	5,959,286	30,871,103	36,662,851	28,392,893

General Fund

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

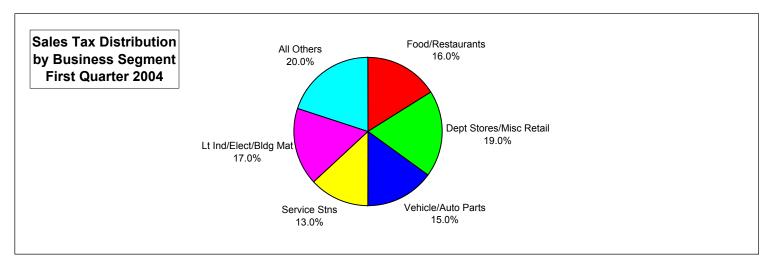
⁴ Includes the deferred payment portion of the loans noted above.

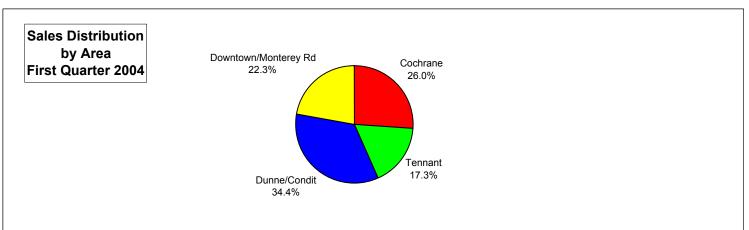
⁵ Designated for economic uncertainty, emergencies, and Fire Master Plan implementation



City of Morgan Hill
Sales Tax Comparison - Fiscal Year 2004/05
For the Month of August 2004
17% of Year Completed

	Amount Collecte	d for Month fo	or Fiscal Year	Amount Colle	ected YTD for	Fiscal Year	Comparison of YT	D for fiscal years
Month	04/05	03/04	02/03	04/05	03/04	02/03	04/05 to 03/04	04/05 to 02/03
July	\$307,500	\$338,300	\$367,600	\$307,500	\$338,300	\$367,600	(30,800)	(60,100)
August	\$401,200	\$451,000	\$447,000	\$708,700	\$789,300	\$814,600	(80,600)	(105,900)
September		\$232,994	\$361,932	,,	\$1,022,294	\$1,176,532	(,,	(,,
October		\$316,100	\$354,915		\$1,338,394	\$1,531,447		
November		\$421,400	\$474,800		\$1,759,794	\$2,006,247		
December		\$331,624	\$384,154		\$2,091,418	\$2,390,401		
January		\$349,500	\$368,600		\$2,440,918	\$2,759,001		
February		\$428,600	\$487,195		\$2,869,518	\$3,246,196		
March		\$292,930	\$225,908		\$3,162,448	\$3,472,104		
April		\$340,500	\$292,698		\$3,502,948	\$3,764,802		
May		\$385,525	\$394,500		\$3,888,473	\$4,159,302		
June		\$261,782	\$477,624		\$4,150,255	\$4,636,926		
Year To Da	ate Totals			\$708,700	\$4,150,255	\$4,636,926		
Sales Tax I	Budget for Year			\$4,600,000	\$4,650,000	\$5,330,000		
Percent of	•			15%	89%	87%		
Percent of	increase(decreas	se)					-10%	-13%





FINAL MAP APPROVAL FOR MORGAN STATION (TRACT 9585)

Agenda Item # 4 Prepared By: Senior Civil Engineer Approved By: Public Works Director Submitted By:

City Manager

RECOMMENDED ACTION(S):

- 1) Approve the final map, including the abandonment of an excess portion of East Central Avenue
- 2) Approve subdivision agreement and improvement plans
- 3) Authorize the City Manager to sign the Subdivision Improvement Agreement on behalf of the City
- 4) Authorize the recordation of the map and the Subdivision Improvement Agreement following recordation of the Development Improvement Agreement

EXECUTIVE SUMMARY:

Tract 9585 is a 9 lot subdivision located on the northeast corner of the East Central Avenue and Mclaughlin Avenue intersection (see attached location map). The map shows the elimination of a portion of East Central Avenue. The right-of-way is no longer needed due to changes to the street circulation in the area. These changes include the cul-de-sacing of East Central Avenue at the Southern Pacific Railroad right-of-way. Given this change, staff recommends that the City Council approve the abandonment of the excess right-of-way on East Central Avenue.

The developer has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on December 3, 2003. The developer has furnished the City with the necessary documents to complete the processing of the Final Map and has made provisions with a Title Company to provide the City with the required fees, insurance and bonds prior to recordation of the Final Map.

FISCAL IMPACT:

Development review for this project is from development processing fees.



CITY COUNCIL STAFF REPORT

MEETING DATE: September 22, 2004

INDOOR RECREATION CENTER - APPROVE CONSULTANT AGREEMENT FOR PHASE 1 CONSTRUCTION MANAGEMENT SERVICES

RECOMMENDED ACTION(S):

Authorize the City Manager to Execute a Consultant Agreement with Nova Partners, Inc. for a total fee not to exceed \$114,800 subject to City Attorney approval.

Agenda Item # 5
Prepared By:
Project Manager
Approved By:
Public Works Director
Submitted By:
City Manager

EXECUTIVE SUMMARY: Nova Partners has been involved with the City of Morgan Hill on the Indoor Recreation Center since October of 2003. At that time, BAHS utilized their services to prepare an independent cost estimate at the completion of Schematic Design. BAHS then extended their scope of services through July '04 to further review the plans and specifications and assist in overall budget preparation during Design Development and a portion of Construction Documents. It is now time to extend their services again to assist the design team in the completion of Construction Documents and preparing the project for bidding.

Attached is Nova's detailed fee proposal for the entire project which includes their scope of work for Phase 1 (pre-construction) and Phase 2 (construction administration). It is expected that Nova will assist the BAHS Senior project manager and Public Works project manager in completing the design process, Phase 1, which is scheduled from August '04 through March '05 (7 months). This pre-construction work will consist of the following general services: Design document and constructability review, project schedule and budget updates (including independent cost estimates at 75% and 100% completion of Construction Documents), pre-qualification of key subcontractors and general contractors, and assisting in the bid process (including pre-bid conference, addenda and bid analyses). Staff will recommend that Nova assist the Public Works project manager as the on-site representative administering the actual construction contract when Council awards the bid. Their Phase 2 work is scheduled from April '05 through June '06 (15 months), and will only be authorized when the construction contract is awarded.

Staff recommends authorizing the City Manager to execute a consultant agreement with Nova Partners, Inc. for a total Phase 1 fee not to exceed \$114,800 subject to City Attorney approval and based on the attached scope of services.

FISCAL IMPACT: Sufficient funding exists in the Indoor Recreation Center CIP project budget for these professional services (Phase 1 & Phase 2) and no additional funding is required.



CITY COUNCIL STAFF REPORT

MEETING DATE: September 22, 2004

REJECTION OF BIDS FOR BOYS RANCH RESERVOIR #3

RECOMMENDED ACTION(S): Reject the bids received on September 8, 2004 for the construction of Boys Ranch Reservoir #3 and authorize staff to rebid the project.

Ago	enda Item # 6
Pre	epared By:
Pro	ject Manager
Ap	proved By:
Pul	olic Works Director
Sub	omitted By:
Cit	y Manager

EXECUTIVE SUMMARY:

In May, 2002 bids were opened for construction of the new one million gallon water tank project located near Boys Ranch. Just prior to recommending award of the contract, a jurisdictional problem was encountered. A City/County boundary line existed which prevented the issuance of the permit. Consequently, staff recommended that City Council reject all bids and allow time for the jurisdictional problem to be solved.

In early August, 2004, the project was advertised for the second time. On August 19, 2004 a mandatory pre-bid meeting was held at the project site. The project specifications required that all general contractors and tank sub-contractors attend the meeting. Seven general contractors and two tank subcontractors attended the mandatory meeting. On September 8, 2004 bids were opened. The results are shown on the attached memo. Upon initial viewing, the apparent low bidder was Tri-Net Construction. Unfortunately, they listed their tank subcontractor as Pacific Tank who did not attend the mandatory pre-bid meeting on August 19, 2004. The second lowest bidder, Granite Construction, also listed Pacific Tank. The third lowest bid from CB&I Constructors, Inc. meets all of the procedural requirements. Letters of protest have been filed by both CB&I Constructors and Tri-Net Construction. In consultation with our City Attorney's office, staff is recommending that all bids be rejected and Council authorizes the project to be re-bid.

The current plan is to begin advertising for the third round of bids immediately so that construction delay can be minimized. The advertisement and bid documents will not require general contractors or tank contractors to attend another pre-bid meeting provided they had attended one of the previous two. Staff will provide the opportunity for a third mandatory meeting on September 30, 2004 for those interested contractors who did not attend either of the previous two meetings, Staff anticipates opening bids on October 7, 2004 for possible award at the meeting of October 20, 2004.

FISCAL IMPACT: None



Memorandum Public Works Department

Date: September 16, 2004

To: Jim Ashcraft, Director of Public Works

From: Glenn Ritter, Project Manager

Subject: Boys Ranch Reservoir #3 – Bid Opening

On September 8th, we received the following bids for the above project:

<u>Contractor</u>	Base Bid
Tri-Net Construction	\$1,375,395.00
Granite Construction Co.	\$1,414,414.00
CB&I Constructors, Inc.	\$1,442,288.00
Gordon N. Ball, Inc.	\$1,556,160.00
Spiess Construction Co, Inc.	\$1,595,400.00

As you can see, the bids were fairly close (within +/-15% of each other). The average of the bids works out to be \$1,476,731. The two lowest bidders, Tri-Net and Granite, listed a tank subcontractor that was not at the MANDATORY pre-bid meeting on August 19, 2004. Consequently, the third lowest bidder, CBI Constructors, Inc., immediately issued a "bid-protest" (attached) demanding that they be awarded the contract. A few days later, the apparent low bidder, Tri-Net Construction had their attorney issue a response to the bid protest (also attached). As a result of these issues, we are recommending that City Council reject the above bids and authorize staff to rebid the project.

CITY OF MORGAN HILL JOINT SPECIAL CITY COUNCIL, SPECIAL PLANNING COMMISSION AND SPECIAL ARCHITECTURAL REVIEW BOARD MEETING MINUTES – SEPTEMBER 8, 2004

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 7:03 p.m.

ROLL CALL ATTENDANCE

City Council:

Present: Council Members Carr, Chang, Tate and Mayor Kennedy

Late: Mayor Pro Tempore Sellers (arrived at 7:20 p.m.)

Architectural Review Board:

Present: Board Members: Cain, Kennett and Martin

Absent: Board Members: Fruit and Pyle

Planning Commission:

Present: Commissioners: Acevedo, Escobar, Lyle, Mueller, Weston

Absent: Commissioners: Benich, Engles

DECLARATION OF POSTING OF AGENDA

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

OPPORTUNITY FOR PUBLIC COMMENT

Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

WORKSHOP:

1. ARCHITECTURAL REVIEW HANDBOOK.

Senior Planner Linder presented the staff report requesting that the Council, Board and Commission provide comments on the draft standards as listed in the draft Architectural Review Handbook (handbook) and whether they reflect the standards the City would like to see in the community. Also, to identify standards that were not addressed/touched upon.

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Mayor Kennedy felt that the City needs to determine how the handbook will be applied and how the applicants are to apply the standards. He noted that the handbook did not contain a preamble or statement of vision, goals, circumstances, and did not address how to use the document. He noticed that a combination of "shalls" and "shoulds" were being used.

Senior Planner Linder indicated that staff and the consultant will go over how the document was formatted and will explain the difference between the words "shall" and "should."

Planning Commissioner Mueller inquired whether the document will be housed on the City's website in a format that allows easy access and view.

Planning Commissioner Lyle noted that no reference was made in the document to the Downtown Design Plan.

Senior Planner Linder indicated that the Downtown Design Plan will be chaptered into the document as well as the Water Conservation Guidelines.

Planning Commissioner Escobar inquired whether the list of standards would result in cost increases on a general basis, incrementally, for the construction of single-family or multi-family dwellings by increasing the standards.

Mayor Pro Tempore Sellers entered and was seated.

Planning Commissioner Weston stated that there would be an approximate 2%-3% increase in costs associated with the revised standards (e.g., installation of splash box systems to the storm drain system would increase costs by \$8,000). He noted that a LEEDS sustainable design were not incorporated into the document and felt that they should be incorporated. He said that he would provide the City's consultant with a list of LEED design items.

Planning Commissioner Mueller said that the document talks about natural lighting but does not address other energy saving items that the City typically requests in designs. There may be a need to add items to address alternative ways of saving energy.

Debbie Lagomarcino Rudd, RRM Design Group, walked the Council, Board and Commission through the proposed draft amendments to the Architectural Review Handbook. She indicated that she and staff will address a few of the guidelines/standards that they would like to bring to the City Council, ARB and Planning Commission's attention. She indicated that the document starts off with single family residential. She stated that the document contains a preamble paragraph found on page 1 that addresses each of the main chapters. If the Council wants to see an overriding statement on how to use the document and the purpose of the document in the handbook, this information can be inserted at the beginning of the document. She indicated that by the end of the meeting she would like to have a clear

City of Morgan Hill Joint Special City Council, Special Planning Commission, and Special Architectural Review Board Meeting Minutes – September 8, 2004 Page - 3 -

direction on what the group believes should be added, changed and/or incorporated into a refined draft document.

Ms. Rudd indicated that the document will be used by property owners and design professionals, hopefully to make it clear, upfront, the architectural design that the City of Morgan Hill would like to see in the future. The handbook is also to be used by staff when it reviews applications. It is a goal to provide an updated handbook through a user friendly document that incorporates illustrations depicting minimum expectations by the use of text, graphics and photographs. She stated that the document contains four separate chapters: 1) single family residential, 2) multi family residential, 3) commercial and industrial, and 4) gateways.

Mayor Kennedy suggested that the slide presentation being presented this evening be incorporated, somehow, into the document as it identifies the contents of the document.

Ms. Rudd indicated that she has taken the City's standards and guidelines, incorporating them into one document. She stated that the standards are the minimum requirements found in the Design Review Ordinance. She said that the Ordinance contains language that gives the ARB and staff the authority/flexibility to take an "artistic" look at a project that is fitting of the community and approve the design.

Planning Commissioner Weston inquired where in the document it states who would have the final say on the design review approval process.

Senior Planner Linder stated that in most instances, the Council is not involved in the design review process, unless appealed. She indicated that the Council appointed the ARB to apply the Design Review Ordinance. She said that the ARB may find that a design or use of colors are acceptable; indicating that the use of colors is subjective. She clarified that the decisions of the ARB are appealable and that the appeal process is currently in place.

Mayor Pro Tempore Sellers felt that the handbook should allow for creativity or "out of the box" designs, allowing for creativity or a design that is clearly not mainstream that may enhance the beauty of the community.

Ms. Rudd stated that the handbook would allow the ARB to make exceptions to design review standards and encourage flexibility/creativity in designs.

Planning Manager Rowe indicated that the preamble in front of the handbook can stipulate the encouragement of creativity in design(s).

Mayor Kennedy inquired whether there were cities known for good design practices (e.g., Santa Barbara).

Planning Commissioner Weston felt that Pleasanton, San Francisco and Morgan Hill have beautiful designs.

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Ms. Rudd indicated that San Luis Obispo, part of Huntington Beach and part of San Juan Capistrano have good design guidelines. These cities have set the bar high in terms of development.

Mayor Kennedy inquired whether the proposed guidelines would raise the bar in terms of design.

Ms. Rudd indicated that the document contains standards as well as guidelines. She stated that the standards are "shall" (mandatory) and the guidelines are "should" (suggestions and not a requirement).

Ms. Rudd walked the Council through the handbook, covering the following:

Single Family Residential

Page 5 - Grading and drainage as it relates to development adjacent to low laying properties.

Ms. Rudd stated that grading and drainage needs to be considered, on site, taking into consideration adjacent development. She indicated that grading and drainage should match or be compatible with neighboring properties.

Board Member Kennett indicated that the ARB suggested that the guidelines include "intent statements" followed by ways to achieve goals.

Ms. Rudd indicated that she has not incorporated all of the comments from the ARB. She stated that she has included the ARB's recommendation as notations contained in the draft document. She said that objective statements are included at the beginning of each chapter and that it is now being suggested to provide an objective/text statement at the beginning of each sub section.

Planning Commissioner Weston did not know whether the shaded text would be legible if faxed to clients. Ms. Rudd stated that she would look into this concern.

Page 15 - Standards for Garages & Other/Ancillary Structures.

No comments were offered.

Page 17 – Planting Areas & Hardscape Design. Ms. Rudd stated that it is proposed to have trees on either side of arterial roads. As you walk on sidewalks on an arterial street, it is proposed that there be planted parkways on either side of the sidewalks. This prevents fences from being constructed up to the sidewalk and installation of sidewalks up to the street. This design would give you an arterial road with a nice feel to it.

Planning Commissioner Mueller suggested that all streets be designed as identified by Ms. Rudd. He felt that there were a lot of reasons to design detached sidewalks. He recommended that new street standards be implemented in order to incorporate them into the handbook.

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Page -20 Walls & Fencing. New standard suggests that fences and sound walls need to be setback from the street.

No comments were offered.

Multi Family Residential

Page 29 – Parking Areas. It is recommended that parking areas be separated from the building by a pedestrian sidewalk and a landscape strip.

No comments were offered.

Page 34 – Entries, Doorways and Windows. It is being suggested that a building would not be allowed to be built without articulation. This section will be a standard.

No comments were offered.

Page 35 – Scale and Massing of buildings. Avoid multi family buildings that are one big box. It is proposed that buildings are to be broken up; providing ideas or ways to break up buildings.

Planning Commissioner Lyle inquired whether the handbook discusses the maximum length of buildings.

Ms. Rudd responded that the handbook does not stipulate a limit to the length of a multi family building.

Planning Commissioner Lyle stated that he was surprised that the handbook does not discourage long buildings. He said that the City has received feedback about the appearance of lengthy buildings.

Senior Planner Linder referred to page 25 that addresses clustering of buildings, breaking up the units into smaller clusters.

Ms. Rudd indicated that the City could indicate a maximum length for single or two story buildings.

Planning Commissioner Acevedo did not see anything wrong with having a long building design as long as the architect/designer does something interesting/creative with the architecture of the building.

Planning Commissioner Lyle stated that an access issue, at a minimum, is associated with the design of a long building.

Ms. Rudd referred to the third bullet found on page 25 that would address Planning Commissioner Lyle's concern.

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Mayor Pro Tempore Sellers agreed that the third bullet should be the goal. Regardless of the length of the building, there will be the appearance of a break in the buildings. He felt that an architect would want to break up the building.

Commercial & Industrial

Planning Commissioner Escobar noted that the handbook states that scales in proportion in keeping with the architectural style of the building. He inquired as to the definition of "keeping within" as opposed to the verbiage of being "complementary" or "consistent with" as these terms are applied throughout the document.

Page 60 – Parking areas. It is proposed that parking lots on corner sites not be located at the intersection. The building should be placed close to and oriented toward the street. This is a guideline/suggestion and not a standard.

Planning Commissioners Lyle and Mueller felt that this section should be a standard due to safety and circulation issues.

Mayor Kennedy did not know if moving a building up to the street is the answer as he did not see the sample building being displayed on a corner lot (Walgreen) as an attractive design.

Mayor Pro Tempore Sellers noted the designs of the two examples cited were ones that met the specific needs of the tenant. He stated that the Rite Aid design was precipitated by the drive through. He felt that the Walgreen design will look attractive in 20 years when the landscape matures. He said that windows were desired to break up the mass of the building but that he did not know if the windows were appropriate.

Ms. Rudd inquired whether the City wants to encourage buildings to be pushed up to the corner. If so, should it be a requirement or a suggestion. She noted that this is a suggestion in the handbook. She stated that she likes buildings at the street corner as it frames the street better. She recommended raising the bar for buildings on corner lots if the City does not like the architecture as corner lots are highly visible to the community.

Planning Commissioner Escobar inquired whether a building that is designed on one corner prescribes how the other three corners would be designed/developed. He inquired whether it is being recommended that buildings be designed up against the street, competing with each other or whether there was some ability to add to the aesthetics and appeal of the buildings by having additional setbacks or setting them further away from the corner.

Ms. Rudd did not believe that a building designed on a corner would prescribe development on the other corner lots. She felt that scale and massing would be important and that the design of the building would be secondary. She indicated that the corner design standards are for intersections within the City and do not address Gateway areas.

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Council Member Chang did not support all four corners having buildings sited at the corner as it would appear massive, overwhelming and would give an overcrowded appearance. She stated that she would support 2 of the 4 intersections having buildings designed toward the street.

Planning Commissioner Weston felt that a 30 foot setback affords the opportunity to landscape the front of the buildings.

Ms. Rudd clarified that a 30 foot setback would be required.

Planning Commissioner Escobar inquired whether the same or different standards would be required for commercial and industrial lots. If different, he recommended a separate chapter for commercial and industrial development. He felt that unless the City is clear as to what is required for commercial and industrial zoning districts, the standards will be lost.

Mayor Kennedy concurred that the handbook should have separate chapters for commercial and industrial zoning districts. He said that it was his belief that there is a consensus that buildings can be built on corner lots, if designed attractively.

Planning Commissioner Mueller noted that the handbook indicates that it is preferred that a building be sited at a corner/intersection unless there are specific reasons why they cannot be sited on the corner with the appropriate design and landscaping.

Mayor Pro Tempore Sellers felt that latitude should be given to the development of buildings on corner lots.

Council Member Carr felt that if the design is left flexible, the user of the building will want individuals to see that parking is available in the front of the building.

Ms. Rudd felt that it appears that it was the consensus that this section is preferred as a "should" and not a "shall." She indicated that it would be an effort and would add to the cost of the handbook to separate the chapters between commercial and industrial designs. She estimated that it would cost \$3,000-\$5,000 to separate the commercial and industrial standards.

Mayor Pro Tempore Sellers inquired whether the handbook can distinguish the differences between the commercial and industrial standards versus having a different chapter for each.

Planning Commissioner Acevedo noted that there is far more vacant industrial land as opposed to commercial land available to be built upon. He felt that the City would be running out of commercial lands before you run out of industrially zoned land.

Planning Commissioner Weston noted that most of the standards/guidelines apply to industrial designs versus commercial designs.

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Council Member Tate recommended that an introductory discussion be incorporated into each chapter.

Mayor Kennedy recommended that additional description/text be incorporated into the handbook to address the issues raised.

Planning Commissioner Escobar recommended that in the introductory discussion, it be stated that there will be some distinction in this chapter between commercial and industrial. Also, that a table of contents be added that states that certain standards apply only to industrial design or commercial designs if there is not to be a separate chapter for commercial and industrial development.

Page 63 – Design theme. Should this section be a standard or a "should?" It is stated that the use of corporate chain architecture is not allowed and that corporate tenants shall design buildings to keep the scale, character and the feel of the community.

Council Member Carr said that if a Trader Joes wants to come into town and the City likes their corporate architecture, there should be some flexibility to approve a corporate design.

Planning Commissioner Escobar recommended that the statement be retained that reads "the use of a corporate chain architecture is not allowed" and add the following: "unless compatible or consistent with"

Mayor Pro Tempore Sellers noted that the In and Out Burgers' representative came up with a great design and that he would hate to preclude a great franchise design. He recommended that the text be more descriptive.

Planning Commissioner Mueller agreed that there may be a corporate design that is not a traditional design that may be acceptable to the City.

Planning Commissioner Weston inquired whether it could be stipulated that the project architect shall attempt to make a stylistic representative design versus an authentic representation in the design of a building.

Ms. Rudd indicated that the statement was incorporated in the handbook to avoid the southern California standard architecture. She said that it is the intent to give the ARB enough information and discretion to inform the architect as to the type of design the City would like to see in the community.

Mayor Kennedy felt that the statement raises the bar and that it gives the ARB the discretion to lower the bar.

Ms. Rudd recommended that the statement be modified to state "with the desired scale of the community."

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Page 64 – Roof forms. This is a guideline to avoid commercial and/or industrial buildings from having a long facade as a standard.

No comments were offered.

Page 70 – Articulation. Building designs shall incorporate 360 degree architecture. When you have a large building with a blank wall, something needs to be done with the blank wall to articulate and change the mass of the building.

Planning Commissioner Escobar said that in reviewing the photographs, it is easy to distinguish which are retail and/or commercial buildings. However, he could not find that this was the case with industrial buildings. He recommended that better photographic examples be used for industrial buildings or identify that the designs are for professional or industrial buildings (indicate the type of building in captions).

Gateway Areas

Page 85 – Gateways. Defines what is considered to be a gateway.

Council Member Carr indicated that it was his belief that the General Plan stipulates that train depots are gateway areas and should therefore be spelled out as a gateway.

Page 87 – Gateway lot layouts. 30 foot landscape buffers shall be installed in gateway intersections, between the street and buildings. Parking lots and drive aisles are not to be sited within the 30 foot landscape buffer. Gas stations on corner lots in gateway areas cannot be sited in the front of buildings. In other city streets, gas stations on corner lots would be acceptable.

Planning Commissioner Mueller noted that a gas station would be visible from the freeway.

Ms. Rudd stated that pole signs would not be permitted in gateway intersections.

Planning Commissioner Weston stated that a gas station is being built at the corner of Tennant Avenue and Monterey Road and that the developer was required to install a nice landscape buffer. He inquired whether there was a way to eliminate the "for lease" signs posted and substitute landscaping (e.g., oak tree).

Ms. Rudd indicated that the sign ordinance would regulate location of signage. She noted that the gateway section contains a signage section.

Senior Planner Linder indicated that a specimen sized tree was required to be installed as part of the gas station approval.

Mayor Kennedy requested that staff investigate the City's sign ordinance to see if it regulates "for lease" signs.

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Page 89 – Building Design for gateway areas. The City is raising the bar by stating that no drive throughs will be allowed in entry gateway areas.

Planning Commissioner Escobar felt that it was being stated that the City does not want a drive through to be visible from the road and that it needs to be screened.

Council Member Carr was not sure whether the City wants to prohibit drive throughs. He noted that the new Jumping Java Juice has opened on Monterey Road and that adoption of this standard would not allow this use in a gateway.

Ms. Rudd noted that this section of Monterey Road is not a gateway area.

Mayor Kennedy noted that a drive through would not be allowed with the In and Out Burgers' design based on this section as the use would be located on a corner (freeway and Cochrane Road).

Planning Manager Rowe stated that he would not consider the location of the In and Out Burgers as a corner lot but a quadrant of an intersection.

Ms. Rudd said that what is being discouraged is a long stacking distance and the elimination of as much paving from intersections as possible.

Mayor Kennedy did not believe that this section would apply to freeway interchanges.

Planning Commissioner Weston felt that the City would want to see a lot of trees and good architecture in gateway areas.

Planning Commissioner Lyle inquired whether a grandfather clause could be applied to the In and Out Burgers' design.

Mayor Kennedy felt that the In and Out Burgers' drive through is a special case that needs to be addressed.

Council Member Carr recommended a better definition of a corner and a gateway be incorporated into the handbook.

Staff indicated that exterior remodels would require that the new standards be applied.

Planning Commissioner Escobar felt that the concern is that of the architectural aesthetics coming into the City. If drive throughs can be architecturally treated, a business that complies with this should be allowed to present their design. If the City is ruling out drive throughs because the underlying sense is that every drive through would create a mass of cars, he does not necessarily buy this. He felt that if a building can

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mitigate the aesthetics of a drive through, a business should not be precluded from designing a drive through.

Mayor Pro Tempore Sellers said that if a row of trees are planted or other design alternatives applied, it could mitigate the concern of the drive through.

Planning Commissioner Mueller indicated that if all you are able to see is trees and landscaping on a corner, you would not know that a business exists.

Planning Commissioner Weston indicated that the size of a building dictates parking needs.

Ms. Rudd clarified that the City would only be stating that drive throughs would not be allowed in intersections.

Mayor Kennedy noted that it has already been suggested that the document defines a corner and a gateway.

Ms. Rudd did not believe that the City needs to address items that currently exist as it is addressed at the beginning of the section where remodels are addressed.

Senior Planner Linder requested that the Council, Board and Planning Commission raise any items that they believe warrant discussion and/or direction.

Planning Commissioner Lyle referred to page 3, where it states that a minimum of every third house shall be set back a minimum of five feet. He noted that under the Measure C criteria, it states that alternating homes shall have a minimum of a five foot setback. He felt that this was a more rigid interpretation. He felt that the five foot setback should be more than every third home. He indicated that there is a four foot deviation under the Measure C criteria for multi family housing. He recommended that the handbook be tightened to be consistent with Measure C versus using a less stringent direction. He referred to page 5, noting that there is no mention of the retention ponds. However, retention ponds are mentioned in the multi family chapter. He indicated that retention ponds are acceptable under many circumstances. He felt that the section as listed under page 5 needs to include retention pond bullets as both single family and multi family residential sections need to mention something about retention facilities.

Planning Commissioner Escobar referred to page 33, the roof forms and the guidelines. He noted that the third bullet addresses multiple formed roofs and recommended that reference be made to state "such as gables." He also referred to page 37, materials and colors. He noted that it is being stated that material changes shall occur at "other logical locations." He recommended that this verbiage be replaced with "or appropriate location."

Planning Commissioner Acevedo referred to page 51 where it talks about the standards and guidelines. He felt that the number one reason for this section is to ensure public safety. He agreed that the other reasons as stated were important, but recommended that public safety be listed at the top, noting that it is

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not even mentioned. He indicated that this is not only for access and egress but for public safety. He felt that if you incorporate too many of the guidelines in the wrong way, it would create a temptation for criminal activity in some places. He referred to page 60, and recommended an added bullet to read: "These features should not be incorporated to camouflage the parking areas but to enhance the aesthetics of them." He felt that it needs to be recognized that retailers require that their businesses be seen through the perception of the fullness of the parking areas. He felt that businesses use this from a business attraction marketing standpoint. Also, it is important for police officers driving by to see and monitor a parking situation in certain hours of the day.

Ms. Rudd felt that this is a philosophical question to be taken up. She indicated that she is suggesting that parking areas be screened from the public view as much as possible by using berm walls. Using berms low enough will allow you to see over them and allow safety visibility.

Mayor Kennedy felt that berms provide a natural form of screening. He does not believe that the use of berms jeopardizes security.

Planning Commissioner Weston noted that the City has a mechanism in place where police and fire have a means to review design/site plans through the development review process.

Planning Commissioner Acevedo did not believe that the police or fire departments mandate design but give city officials a heads up that there could be a problem with safety and security.

Council Member Carr noted that the City is trying to cut back in the irrigation of turf areas which may result in a problem if the installation of berming is required.

Ms. Rudd noted that page 59 states that screening shall be a minimum of three feet in height.

Planning Commissioner Lyle recommended that language be incorporated such that berming does not become too high.

Council Member Carr referred to the lighting standard, indicating that it appears that the standard is too high. He felt that light bulbs at a human scale would light sidewalks versus trees. He inquired whether the 12-15 feet height was an appropriate lighting standard. He recommended that the lighting standard be lowered to be underneath the tree canopy.

Mayor Pro Tempore Sellers referred to page 35 - scale and massing in family residential. He indicated that there will be areas in the City that will have buildings greater than two stores. He recommended that the standards apply to buildings of two or more stories.

Planning Commissioner Mueller indicated that some of the new trash enclosures are sited in visible areas. He recommended that the guidelines be strengthened to ensure that trash enclosures are screened.

City of Morgan Hill Joint Special City Council, Special Planning Commission, and Special Architectural Review Board Meeting Minutes – September 8, 2004 Page - 13 -

Board Member Martin addressed the standard that requires that structural retaining walls, part of the building, shall match the exterior building. He noted that there are times that rocks are used to construct retaining walls. He indicated that there are two types of retaining walls: landscape retaining walls and structural retaining walls such as those used in hillside areas. He recommended that the bullet be amended to read that "Retaining walls greater than 18 inches in height, which are part of the structural part of the buildings, shall be textured to complement the main structure."

In response to Council Member Carr's question, Senior Planner Linder indicated that developers have not yet been given the opportunity to review and comment on the draft handbook. The next step in the review process would be to circulate the document and receive public input as part of the public hearing process.

Council Member Carr expressed concern that the changes to the handbook would incrementally increase costs to housing, specifically affordable housing. He understands that the City has a desire to alter the design standards. However, if the City is interested in providing affordable housing, you cannot tie the hands of nonprofit housing developers. He indicated that he has heard from non profit organizations about their concerns on the impacts of Measure C to the cost of housing. He noted that the City is now creating guidelines that are "shalls." This could eliminate affordable housing in Morgan Hill. He did not believe that the City has heard enough about the concerns relating to Measure C before being approved by the voters. He stated that he would like to hear comments about the proposed standards prior to adopting any changes.

Mayor Kennedy stated that he would support a redevelopment agency subsidy in order to keep the development standards high rather than lowering the standards.

Planning Commissioner Escobar expressed concern that the City may be incrementally pricing individuals out of the housing market in Morgan Hill. He clarified that he was not suggesting that the City lower the standards. However, if the standards are adopted without assessing the incremental costs, and adopting the standards in a vacuum, the City may be eliminating a strata of individuals from being able to live in Morgan Hill who do not qualify for affordable housing.

Council Member Carr recommended that the City reach out to some of the non profit organizations to receive their thoughts on the proposed standards.

Ms. Rudd referred to page 11, indicating that this page specifically addresses this issue. She felt that the language affords flexibility in the articulation of all sides of the building. It may be acceptable to keep the articulation of the buildings simple as long as the visible sides of the buildings from the streets are articulated. This section provides guidelines to developers as to how far the articulation needs to be taken to on a building(s).

Mayor Pro Tempore Sellers recommended that this statement also be made in the multi family residential section of the handbook.

City of Morgan Hill Joint Special City Council, Special Planning Commission, and Special Architectural Review Board Meeting Minutes – September 8, 2004 Page - 14 -

Ms. Rudd confirmed the following: 1) include intent statements after every subheading/subsection; 2) include an introduction at the beginning of the entire document that talks about who will be using the document, the goal of the document, and how to use the document; 3) encourage creativity; and 4) introduce the LEED elements (environmental elements).

Mayor Kennedy felt that it would be helpful to include examples of LEED designs. He recommended that a reference to LEED be included or that a chapter on LEED elements be incorporated into the handbook.

Ms. Judd indicated that she would not be separating the commercial and industrial standards into chapters. She will include an introduction at the beginning of the chapter describing the chapter, incorporating the items discussed this evening. She would double check the gateway locations with the General Plan to make sure that they are the same. Also, to define a gateway and corners.

Action: By consensus, the above comments were offered. No formal action taken.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the meeting at 9:27 p.m.

IRMA TORREZ, CITY CLERK	

MINUTES RECORDED AND PREPARED BY:



CITY COUNCIL & REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: SEPTEMBER 22, 2004

TITLE: CARRYOVER OF ENCUMBRANCES FROM FY

2003/04

RECOMMENDED ACTION(S):

1) Receive and File

Agenda Item # 8
Prepared By:
Budget Manager
Approved By:
Finance Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

Part of the annual budget process includes the carryover of encumbrances at the end of the fiscal year. Encumbrances at the end of 2003/04 carried over and increased the appropriation amount for certain line items. Purchase orders, contracts and agreements were entered into during the last fiscal year. In many instances the projects, programs, goods or services were not completed or billed by the end of the fiscal year. The encumbrance assures funds from the appropriate budget year have been set aside to pay for the balances when they become due. Fiscal year 2003/04 encumbered funds have been moved and included in the 2004/05 budget.

FISCAL IMPACT:

For fiscal year 2004/05, \$6,773,043.85 in encumbrances from various funds, including \$131,211.36 from the General Fund, have been carried over from the previous year. There is no impact to fund balances because encumbrances, binding agreements to pay for goods or services, were included in total projected expenditures in the prior year. A summary by fund is attached (Exhibit A) for your information. A detailed list of purchase orders and contracts is available for review in the Finance Department.

Proposed FY03/04 Encumbrance Carryover

Fund No.	Fund	Encumbrance
010 Total	General	Carryover \$131,211.36
202 Total	Street Maintenance	211,241.35
202 Total	Community	211,241.33
206 Total	Development	191,861.68
207 Total	General Plan	87,243.65
215 Total	HCD	50,000.00
216 Total	HCD Rehab	2,492.00
232 Total	Environmental Programs	17,632.66
234 Total	Mobile Home Park Rent	195,343.46
301 Total	Park Development	25,329.29
301 10141	Local Drainage/Non-	25,527.27
304 Total	AB1600	13,070.37
309 Total	Traffic Impact	430,879.02
311 Total	Police Impact	10,000.00
313 Total	Fire Impact	9,100.91
317 Total	RDA Projects	3,601,973.35
327 Total	RDA Housing	21,812.86
	Public Facilities/Non-	
346 Total	AB 1600	555,368.72
347 Total	Public Facilities Impact	9,750.00
350 Total	Undergrounding	31,897.43
640 Total	Sewer Operations	78,463.32
641 Total	Sewer Impact	59,553.25
643 Total	Sewer Capital Projects	226,400.99
650 Total	Water Operations	300,227.55
651 Total	Water Impact	92,230.44
653 Total	Water Capital Projects	236,822.32
730 Total	Information Systems	19,518.62
745 Total	CIP Administration	36,020.60
770 Total	Workers' Compensation	22,575.00
	Corporation Yard	
793 Total	Commission	43,008.21
820 Total	General Trust	62,015.44
Grand		
Total		\$6,773,043.85



CITY COUNCIL & REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: SEPTEMBER 22, 2004

TITLE: FINAL FY2003/04 BUDGET ADJUSTMENTS

RECOMMENDED ACTION[S]:

1) Approve the proposed final budget adjustments for FY 2003/04.

EXECUTIVE SUMMARY:

In order to finalize financial activity for FY 2003/04, it is necessary to make certain budgetary adjustments to various funds as proposed on the attached schedule. These adjustments will provide sufficient appropriations for all situations where expenditures exceeded the previously approved FY 2003/04 budget. Explanations of the recommended adjustments follow:

General Fund; City Council [010-1220]

City Council activity budget was exceeded by approximately \$15,100 due to higher than expected group insurance costs. Staff also incorrectly calculated the expected salary expense. Supplies and services exceeded the budget by approximately \$10,000, due to unanticipated legal and consultants costs. These increases are offset by savings in the City Clerk Activity [010-2410].

General Fund; City Attorney's Office [010-1500]

The budget was exceeded by approximately \$46,000 due to unanticipated legal expenses.

General Fund; Recreation Administration [010-2110]

The budget was exceeded by approximately \$77,200, primarily in salaries and benefits. These increases are offset by savings in the Community and Cultural Center activity [010-2115] salaries and benefits.

General Fund; Finance [010-2510]

The budget was exceeded by approximately \$15,000 due to higher than anticipated credit card transactions.

General Fund; Police [010-3205], [010-3210], [010-3225], [010-3230], [010-3245], [010-5450] and [010-8270]

While several divisions are over budget within the salaries and benefit category and supplies and services category, the Police Department's year-end expenditures were less than budgeted.

General Fund; Building Maintenance of the Community & Cultural Center [010-5150]

The budget was exceeded by \$79,500 due to higher than expected utility costs and unanticipated maintenance and repair costs.

Community Development Fund: Planning [206-5120]

The budget was exceeded by \$154,000 due to prior year (FY02/03) consulting agreements which did not carry forward the budget to cover their expenses. This was offset by higher fund balance than forecasted.

Employee Assistance Fund [240-2610]

The budget was exceeded by \$4,300 due to higher than expected computer loan usage. These expenditures are repaid within twenty four months and have no impact on the fund balance.

Internal Services funds [760-8230], [770-8220] and [795-8210]

The Unemployment Fund budget was exceeded by \$9,700, Worker's Compensation Fund by \$76,600, and the General Liability Fund by \$30,000. These funds exceeded their budget appropriated due to increased claims.

FISCAL IMPACT:

The fiscal impact of each adjustment is scheduled on the attached schedule. Sufficient resources are available to finance the proposed revisions.

Prepared By: Budget Manager	
Budget Manager	
Approved By:	
Finance Director	

SUMMARY OF FINAL BUDGET ADJUSTMENTS - FY 2003/04

Fund	Dept	Accoun	t Description	Appropriation Increase (Decrease)	Fund Balance Increase (Decrease)
			•		
Gener	al Fun	<u>d</u>			
010	1100	41210	City Council "Elected/Appointed Salaries"	15,100	-
010	1100	42231	City Council "Contract Services"	10,000	-
010	2410	41100	City Clerk "Regular Salaries"	(25,100)	-
010	1500	42230	Finance "Special Counsel"	46,000	(46,000)
010	2110	41270	Recreation "PT Salaries"	77,200	-
010	2115	41270	CCC "PT Salaries"	(77,200)	-
010	2510	42236	City Attorney "Bank Card Service Fee"	15,000	(15,000)
010	3205	41160	PD Administration "Salaries - Safety"	6,700	-
010	3210	41160	PD Field Operations "Salaries - Safety"	(6,700)	-
010	3230	41270	PD Emergeny Svs "Salaries - Part Time"	12,200	
010			PD Emergeny Svs "Machinery/Equipment"	22,200	
010			PD Administration "Salaries - Safety"	(34,400)	-
010			Animal Control "Salaries - General"	11,600	-
010	8270	41100	PD Dispatch "Salaries - General"	(11,600)	
010	5150	42208	Building Maintenance (CCC) "Electric"	29,500	(29,500)
010	5150	42510	Building Maintenance (CCC) "Bldgs/Imprs."	50,000	(50,000)
<u>Various Funds</u>					
206	5120	42231	Planning "Contract Services"	154,000	(154,000)
240	2610	42605	Employee Assistance "Computer Loans"	4,300	-
240		37718	Loan Proceeds (Revenues)	(4,300)	-
760	8230		Claims - Unemployment	9,700	(9,700)
770	8220	42545	Claims - Worker's Comp	76,600	(76,600)
795	8210	42219	General Liability Insurance	30,000	(30,000)
GRAND TOTALS 410,800 (410,800)					



CITY COUNCIL STAFF REPORT MEETING DATE: September 22, 2004

Agenda Item # 10 Prepared By:
BAHS Director
Approved By:
City Manager

DEVELOPMENT AGREEMENT FOR DAN GAMEL, INC.

RECOMMENDED ACTION(S):

- 1. Open/Close Public Hearing.
- 2. Waive the reading in full of the Ordinance approving the Development Agreement.
- 3. Introduce the Ordinance by Title Only.

EXECUTIVE SUMMARY: Dan Gamel, Inc. which owns and operates Dan Gamel's Morgan Hill RV Center (Gamel RV) is requesting a Development Agreement for approximately six acres it owns at 16725 Condit Road and 1105 San Pedro Road plus any property that Gamel RV may acquire in the future. The purpose of this development agreement is to memorialize the significant benefits that both the City and Developer receive from Gamel RV remaining and expanding his business in town. Under this development agreement, the City retains an existing recreational vehicle dealership in town for ten (10) years, thereby, avoiding significant lost revenue to the City and retaining job opportunities for Morgan Hill residents. In exchange for remaining in town, Gamel RV receives financial incentives from the City to expand his operations which will increase revenues to the City.

The key business terms of the Development Agreement (Agreement) are as follows:

- Gamel RV will donate a historic building from his property to the City. The Redevelopment Agency will be responsible for moving the building off the site to the Sports Complex.
- Gamel RV is eligible to receive an annual sales tax rebate from the City if Gamel RV expands its operations or meets specific annual sales thresholds. The annual sales tax rebate from the City depends on the amount of sales generated for a year of operation. Table A of the Agreement shows the sales thresholds range from \$32M to \$90M per year and the percent of revenue to be shared by the City ranges from 30% to 67% of annual revenue to be received by the City.
- The Agreement sets a minimum baseline amount of sales that Gamel RV must exceed in order to be eligible for a rebate. The baseline amount for the first year of the operation is \$20.7M adjusted by CPI each year thereafter. Should Gamel RV fail to meet the sale thresholds or phasing plan in any year of operation, it would not receive any sales tax rebate for that year.
- The expansion requirements are broken into three phases: 1) Phase I- Gamel RV is required to improve its 1105 San Pedro Avenue property to display, store, and/or service recreational vehicles on site within the first 12 months of the execution of this Agreement., 2) Phase II- Gamel RV must acquire a nearby parcel to further expand operations within 36 months of this Agreement, and 3) Phase III- Gamel RV shall develop a themed recreational vehicle and accessories facility similar to his Camp America facility in Fresno within 60 months of this Agreement.
- As an alternative to the phasing plan, Gamel RV can also receive a sales tax rebate if it meets the following annual sales volume thresholds: 1) Year 1-3- exceeds annual baseline amount, 2) Year 4-5- \$32M, and 3) Year 5-10- \$36M adjusted annually by CPI each year thereafter.
- Gamel RV will endeavor to hire local residents and use local vendors and suppliers when possible.

A Council subcommittee consisting of Mayor Kennedy and Councilmember Tate recommends approval of the development agreement.

FISCAL IMPACT: The City will experience a net gain of revenue when one takes into account the loss of revenue if Gamel RV had left town or when compared to the previous sales tax sharing agreement with Gamel RV that recently expired.

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ORDINANCE NO., NEW SERIES

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT WITH DAN GAMEL, INC. FOR THE EXPANSION OF DAN GAMEL'S MORGAN HILL RECREATIONAL VEHICLE (RV) CENTER

- <u>WHEREAS</u>, California Government Code Sections 65864 through 65869.5 authorizes the City of Morgan Hill to enter into binding development agreements with persons having legal or equitable interests in real property for the development of such property; and
- <u>WHEREAS</u>, the City Council has duly considered the Development Agreement between the City and Dan Gamel, Inc. ("Agreement"), which is incorporated herein by reference and which sets forth in detail the specific responsibilities of the City and Dan Gamel, Inc. regarding the development of the subject property.
- <u>WHEREAS</u>, the said Agreement shall be binding on all future owners and developers as well as the present owners of the lands, and any substantial change in the Agreement may be made only after further public hearings before the Planning Commission and the City Council of this City;
- <u>WHEREAS</u>, the City Council therefore finds that the development proposal and agreement approved by this ordinance are compatible with the goals, objectives, policies, and land uses designated by the General Plan of the City of Morgan Hill; and
- <u>WHEREAS</u>, the Council finds that the Agreement serves the general health, safety and welfare interests of the citizens of Morgan Hill as stated with more particularly in the Agreement.
- **NOW, THEREFORE,** the City Council of the City of Morgan Hill, California does ordain as follows:
 - **SECTION 1.** Based upon the foregoing findings, the Agreement is hereby approved.
- **SECTION 2.** Authority is hereby granted to the City Manager to execute the agreement approved by the City Council during the Public Hearing Process, and any documents necessary and appropriate to effectuate the terms of the Agreement.
- **SECTION 3**. Severability. If any part of this Ordinance is held to be invalid or inapplicable to any situation by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or the applicability of this Ordinance to other situations.

City of Morgan Hill Ordinance No., New Series Page 2

SECTION 4. Effective Date; Publication. This Ordinance shall take effect from and after thirty (30) days after the date of its adoption. The City Clerk is hereby directed to publish this ordinance pursuant to §36933 of the Government Code.

The foregoing ordinance was introduced at the Special meeting of the City Council of the City of Morgan Hill held on the 22nd Day of September 2004, and was finally adopted at a regular meeting of said Council on the 6th Day of October 2004, and said ordinance was duly passed and adopted in accordance with law by the following vote:

AYES: NOES: ABSTAIN: ABSENT:	COUNCIL MEMBERS:	
ATTEST:		APPROVED:
Irma Torrez	z, City Clerk	Dennis Kennedy, Mayor
	∞ CERTIFICAT	TE OF THE CITY CLERK &
CALIFORN , New Series	NIA, do hereby certify that the	CLERK OF THE CITY OF MORGAN HILL, the foregoing is a true and correct copy of Ordinance No. all of the City of Morgan Hill, California at their regular 1004.
WIT	NESS MY HAND AND TH	E SEAL OF THE CITY OF MORGAN HILL.
DATE:		
		IRMA TORREZ, City Clerk



AGENCY STAFF REPORT

MEETING DATE: September 22, 2004

Prepared By:

Agenda Item #11

BAHS Housing Rehab Coordinator

Approved By:

BAHS Director

Submitted By:

Executive Director

AWARD CONTRACT TO ABCO CONSTRUCTION TO MOVE THE HISTORIC LA MALFA HOUSE

RECOMMENDED ACTION(S):

- 1. Award \$30,000 construction contract to ABCO Construction for the LaMalfa House move.
- 2. Authorize expenditure of contingency funds not to exceed \$6,000.

EXECUTIVE SUMMARY:

Scope of work for this project includes the moving of the 1906 built LaMalfa House from 1105 San Pedro to across the street to the City owned soccer complex on Condit Road. Dan Gamel of Dan Gamel RV currently owns this house and is planning an expansion of the RV complex. Dan Gamel is donating this house to the City as part of a development agreement with the City. The house was deemed historically significant by Dr. Carter who is a historical consultant for the City. The house will be stored on the soccer field complex so that it can be renovated as office space for the future Sports Complex project.

The bid opening was held on August 25, 2004 and the bids are listed below. The low bidder has many years of experience in moving homes and has successfully performed other work for the City with the Acton Farm House move. ABCO's bid of \$30,000 is 12% lower than the project coordinators estimate of \$34,000. Staff recommends a 20% contingency of \$6,000 due to the nature of the project. The project is estimated to take under 20 working days to complete.

ABCO \$30,000 Kelly House Movers \$39,000

FISCAL IMPACT: The total contract cost for this project is \$30,000 with a 20% contingency of \$6,000. This project is budgeted in the 2004-2005 BAHS (Fund 317) budget.



REDEVELOPMENT AGENCY MEETING

DATE: September 22, 2004

EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT (ERN) WITH EL TORO BREWING

Agenda Item # 12 Approved By:

BAHS Director

Submitted By:

Executive Director

RECOMMENDED ACTION(S): Authorize the Executive Director to prepare, negotiate, and execute an amendment to the ERN with El Toro Brewing to extend the ERN deadline to November 30, 2004 with provisions to allow for a 60 day extension subject to specific conditions as detailed in the Revised Schedule of Performance.

EXECUTIVE SUMMARY: On January 21, 2004, the Redevelopment Agency (Agency) selected El Toro Brewing Company (El Toro) as the developer for a restaurant/brew pub in the police building at 17605 Monterey Road. In March 2004, the Agency approved key milestones for performance and established baseline business terms for the ERN. El Toro executed the ERN on March 17, 2004. In July 2004, the Agency approved a 90 day extension of the ERN period to allow more time for El Toro is secure financing. The new deadline was October 12, 2004.

During this extension period, staff has revised the Schedule of Performance (Schedule) for the ERN. This Schedule was developed after discussions with both the lender and El Toro. The Schedule reflects realistic timeframes for performance. However, the new schedule sets a deadline of November 30th which is about 45 days longer than the previous schedule. The revised schedule also allows for extensions of up to 60 days if the lender needs additional time to process the loan.

Attachment A contains the revised schedule of performance for the ERN. El Toro has met Tasks A, B, C, and D. The major task was Task C which was approval of the project design by ARB. The next key milestone for El Toro is to raise the 30% cash equity required by the lender. This has led to some delays as this requirement is significant higher than anticipated by El Toro based on their initial discussions with the lender. The revised Schedule sets a deadline of October 5th. The lender indicates that after El Toro has met the cash equity requirement, it will take the lender 6-8 weeks to process the loan request. The majority of this time is needed for the bank to complete its appraisal. As a result, we gave El Toro about 45 days from October 5th to secure loan approval (November 30th). To account for possible delays related to El Toro receiving loan approvals, we included provisions to extend the ERN by a maximum of 60 days if the delays are not due to the fault of El Toro. The previous ERN anticipated that El Toro would close on the property in mid-November. The revised Schedule anticipates that El Toro would close on the property in January/February 2005.

There are also other revisions to the business terms for the DDA. The Lender will probably require that El Toro close on the property prior to the funding of the construction loan. To reflect this requirement, the DDA will allow El Toro to close on the property prior to pulling building permits. However, El Toro will need to submit for building permits prior to the close of escrow. El Toro will have 90 days to pull building permits after they have loan approval from the lender (30 days for preparing construction drawings and 60 days to submit for and pull building permits). In exchange for this extension, El Toro agrees to waive any reliance damages that may have accrued during the prior negotiation period.

While the closing on the property is about 60-90 days longer than initially anticipated, El Toro has made significant progress which includes receiving ARB approval and taking steps to secure the cash equity requirement. The ED Subcommittee members (Councilmembers Carr and Tate) responsible for the El Toro project are recommending approval of this extension.

FISCAL IMPACT: None at this time.



CITY COUNCIL STAFF REPORT MEETING DATE: September 22, 2004

1	Prepared	By:
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Finance Director

Agenda Item # 13

Submitted By:

City Manager

WATER RATES

RECOMMENDED ACTION:

File the report

EXECUTIVE SUMMARY: Resolution No. 5766 reads as follows: "The Finance Director shall report to the City Council by each September 30th prior to

January 1 of 2005, 2006, and 2007, regarding the need for previously adopted upcoming rate adjustments and rate surcharges approved by the City Council on February 5, 2003, and January 21, 2004, to be effective on the following January 1. The adjustments or surcharges, effective on each January 1 implementation date, shall not be implemented if the City Council, based upon the Finance Director's report, eliminates the January 1 adjustments or surcharges. The Finance Director's annual report shall analyze whether the January 1 adjustments are necessary to provide for anticipated costs through June 30 of the fourth year following the report, and to maintain reserves equal to the following:

- a. Operating Reserve amounting to \$1.8 million
- b. Capital Reserve amounting to \$1.2 million
- c. Rate Stabilization Reserve \$1.3 million

In addition, the Finance Director's report shall analyze whether the amount of surcharges collected from rate payers is sufficient to finance all anticipated perchlorate related costs through June 30 of the fourth year following the report.

Staff has concluded in the attached memo to the City Manager that the City Council file this report and not take any action at this time to eliminate or reduce the 2% rate increase or 5% perchlorate surcharge increase, both of which are scheduled to become effective on January 1, 2005. Staff has concluded that both increases are necessary in order for the City to reach a financial position near the above target reserve levels. If the perchlorate financial activity described on Attachment B is excluded from the overall financial picture described in Attachment A, then the City would be projected to have approximately \$700,000 less than the total \$4.3 million reserve target at June 30, 2007. Projected significant Santa Clara Valley Water District pump taxes are the primary cause of this projected shortfall. Staff will be monitoring this situation and working with District staff to determine if there is a way to reduce the additional large projected pump tax increases that may be levied over the next few years by the District. If not, staff will return to the City Council with potential solutions available to the City

FISCAL IMPACT: The scheduled January 1, 2005, water rate and perchlorate surcharge increases are necessary to pay for vital public services.



Memorandum Finance Department

Date: September 22, 2004

To: Ed Tewes, City Manager

From: Jack Dilles, Finance Director

Subject: WATER RATES

Resolution No. 5766 reads as follows: "The Finance Director shall report to the City Council by each September 30th prior to January 1 of 2005, 2006, and 2007, regarding the need for previously adopted upcoming rate adjustments and rate surcharges approved by the City Council on February 5, 2003, and January 21, 2004, to be effective on the following January 1. The adjustments or surcharges, effective on each January 1 implementation date, shall not be implemented if the City Council, based upon the Finance Director's report, eliminates the January 1 adjustments or surcharges. The Finance Director's annual report shall analyze whether the January 1 adjustments are necessary to provide for anticipated costs through June 30 of the fourth year following the report, and to maintain reserves equal to the following:

- a. Operating Reserve amounting to \$1.8 million
- b. Capital Reserve amounting to \$1.2 million
- c. Rate Stabilization Reserve \$1.3 million

In addition, the Finance Director's report shall analyze whether the amount of surcharges collected from rate payers is sufficient to finance all anticipated perchlorate related costs through June 30 of the fourth year following the report.

All perchlorate surcharge revenues shall be segregated by City staff and spent only on perchlorate related costs. Any amount determined by the City Council to be in excess of the amount needed to finance all anticipated perchlorate related costs, based upon the Finance Director's annual report, shall be refunded to customers through future across-the-board percentage rate reductions to be approved by the City Council. Further, if the amount of perchlorate surcharge revenues on hand at the time of the annual report is determined by the City Council to be in excess of the amount needed to finance all anticipated perchlorate related costs, based upon the annual report, any perchlorate rate surcharge existing at that time shall be eliminated."

Therefore, staff has analyzed and updated water operations, rate stabilization, and capital projects fund activity and fund balances for the period July 2002 to June 2007. The revenue requirement, or amount that needs to be generated by rate revenue for the period July 2002 through June 2007 in order to meet operating, capital, and reserve requirements, has been estimated by staff to be \$50.0 million, or \$0.3 million more than projected funding from existing rates.

In Attachment A, staff has summarized financial activity and balances with projections based upon current spending plans, previously adopted 2% rate increases scheduled for each January of 2005 through 2007, and previously adopted 5% perchlorate related rate surcharges also scheduled for each

January of 2005 through 2007. The analysis shows that, with implementation of the previously approved revenue increases and perchlorate rate surcharge increases, the City would have approximately \$4.0 million in fund balance for all rate financed funds combined at June 30, 2007, or \$0.3 million less than the total \$4.3 million policy reserve level. However, because approximately \$0.4 million of the total funds projected to be on hand at June 30, 2007, are to be used only for perchlorate related costs, the City is currently projected to actually have only \$3.6 million available at this date for all non-perchlorate related costs, or \$0.7 million less than the \$4.3 million target.

As described above, the Finance Director's annual report must also analyze whether the amount of surcharges collected from rate payers is sufficient to finance all anticipated perchlorate related costs through June 30 of the fourth year following the report. As can be seen on Attachment B, the City does need to also continue to collect the current 5% rate surcharge and to increase this surcharge by another 5% for a total of 10% beginning January 1, 2005, in order to be in a position to pay for past and anticipated perchlorate related costs for new wells, operations, and legal/technical services. The City has spent, at 6/30/04, \$706,000 more than it has collected from Olin and from the existing surcharge. Even with the increase in the surcharge in January 2005, the City is projected

to still be in the hole by \$645,000 at June 30, 2005. Not until 2006/07 will enough dollars be collected from Olin and surcharges to cover projected perchlorate costs.

It should be noted that the Santa Clara Valley Water District increased the water pump tax it charges the City for water purchases in July 2003 by 14% from \$140 to \$160 per acre foot, and by another 25% to \$200 per acre foot effective July 1, 2004. Further, their District staff has projected annual \$40 increases in July 2005 through July 2008, resulting in significant increases in projected costs for the City. These increases are the primary cause of the projected shortfall in the reserves at June 30, 2007. City staff is actively working with District staff, through the Retailers Committee, to understand the driving forces behind these increases and to see if they might be reduced. If the projected pump tax increases are not reduced, City staff will return to the City Council with potential solutions available to the City.

The following facts and assumptions help illustrate the City's financial position:

- Operations costs are increasing due to the pump tax payable to the Santa Clara Valley Water District and due to increasing demand
- Investment in repairs and modernization of current capacity requires capital
- Expansion of current capacity to serve new growth is paid separately by impact fees
- Cash flows have required the City to temporarily loan funds to the impact fee fund
- Perchlorate costs are to be paid by rate surcharges on customer bills

The above facts have led to the following water financing strategy:

- Series of 2% rate increases
- Series of 5% rate surcharges to cover perchlorate costs
- Debt financing for capital projects
- Use of target fund balances

In conclusion, staff recommends that the City Council file the report and not take any action at this time to eliminate or reduce the 2% rate increase or 5% perchlorate surcharge increase, both of which are scheduled to become effective on January 1, 2005.

PROJECTED ACTIVITY FOR WATER FUNDS 9/15/2004

P. 1 of 2 ATTACHMENT A

Operations Fund beginning fund bal. Revenues - adopted 2% rate increases Adopted add'l 5% rate surcharges Revenues - other	Actual 2002/03 Activity 3,828,169 5,695,637	Actual 2003/04 Activity 2,605,563 6,273,934 70,046 723,149	Staff Projected 2004/05 Activity 3,260,529 6,400,000 475,000 500,000	Staff Projected 2005/06 Activity 3,089,768 6,658,560 825,000 515,000	Staff Projected 2006/07 Activity 2,234,544 6,927,566 1,200,000 530,450	Staff Projected 02/03-06/07
Revenues - interest earnings	145,119	71,827	100,000	100,000	80,000	496,946
Total revenues Operating Costs besides water purchases* Water purchase costs Non-capital Perchlorate costs Repayment of revenue bonds Transfers In/(Out) (stabilization fund) Transfers In/(Out) (capital projects fund) Transfers In/(Out) (loans to impact fund) Audit adjustments	6,503,990 (5,112,024) (952,360) (25,877) - (1,200,000) (460,000) 23,665	7,138,956 (4,818,937) (1,466,348) (585,826) 850,000 - (429,354) (33,525)	7,475,000 (5,561,167) (1,869,594) (580,000) (35,000) (500,000) - 900,000	8,098,560 (5,728,002) (2,288,383) (597,400) (140,000) (500,000) 300,000	8,738,016 (5,899,842) (2,730,956) (615,322) (140,000) (100,000)	37,954,522 (27,119,972) (9,307,640) (2,404,425) (315,000) (250,000) (900,000) 10,646 (9,860)
Total costs/transfers	(7,726,596)	(6,483,990)	(7,645,761)	<i>(8,953,785)</i>	(9,486,120 <u>)</u>	(40,296,251)
Operations Fund balance at year-end	2,605,563	3,260,529	3,089,768	2,234,544	1,486,439	1,486,439
Stabilization Fund beginning fund bal. Revenues (interest earnings) Costs Transfers In/(Out) - Operations Fund Total costs/transfers	838,989 28,949 (509)	867,429 9,750 (551) (850,000) (850,551)	26,628 7,000 (493) 500,000 499,507	533,135 30,000 0 500,000 500,000	1,063,135 45,000 0 100,000 100,000	838,989 120,699 (1,553) 250,000 248,447
Stabilization Fund Balance at year-end	867,429	26,628	533,135	1,063,135	1,208,135	1,208,135

^{*} Encumbrances are shown in year in which funds are expended

PROJECTED ACTIVITY FOR WATER FUNDS 9/15/2004

P. 2 OF 2 **ATTACHMENT A**

Capital Projects beginning fund balance Revenues (interest earnings) Bond proceeds Olin reimbursement	Actual 2002/03 Activity 4,194,778 129,129	Actual 2003/04 Activity 3,857,482 84,195	Staff Projected 2004/05 Activity 3,359,215 85,000 2,000,000	Staff Projected 2005/06 Activity 2,331,119 40,000	Staff Projected 2006/07 Activity 1,571,119 50,000	Staff Projected 02/03-06/07
Total revenues	129,129	799,341	2,085,000	40,000	50,000	3,103,470
Costs - capital projects	(1,666,425)	(892,409)	(1,465,923)	(500,000)	(340,000)	(4,864,757)
Costs re-budgeted from prior year	-	-	(1,410,351)	-	-	(1,410,351)
Plus encums carried over from p/y:	-	-	(236,822)	-	-	(236,822)
Transfers In/(Out) - (Impact Fee Fund)		(405,199)				(405,199)
Transfers In/(Out) - (Operations Fund)	1,200,000			(300,000)		900,000
Total costs/transfers	(466,425)	(1,297,608)	(3,113,096)	(800,000)	(340,000)	(6,017,129)
Capital Projects Fund Balance-year-end	3,857,482	3,359,215	2,331,119	1,571,119	1,281,119	1,281,119
Total Water Rate Fund BalsYr-End	7,330,474	6,646,372	5,954,022	4,868,798	3,975,693	3,975,693

^{*} Encumbrances are shown in year in which funds are expended

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SUMMARY OF PERCHLORATE COSTS 8/31/2004

ATTACHMENT B

	Actual 2001/02	Actual <u>2002/03</u>	Actual <u>2003/04</u>	Projected <u>2004/05*</u>	Projected <u>2005/06</u>	Projected <u>2006/07</u>	<u>Totals</u>
REVENUES: Olin reimbursements			715,146	65,682			780,828
Surcharge revenues Effective 4/1/04			70,046	300,000	300,000	300,000	
Effective 1/1/05				175,000	350,000	350,000	
Effective 1/1/06					175,000	350,000	
Effective 1/1/07			70,046	475,000	825,000	200,000 1,200,000	2,570,046
			70,040	473,000	023,000	1,200,000	2,370,040
Total Revenues	0	0	785,192	540,682	825,000	1,200,000	3,350,874
COSTS: New Well(s):	(106,216)	(580,298)	(192,638)	_	<u>-</u>	<u>-</u>	(879,152)
Operations: Legal/Technical:	(,,	(14,728) (11,149)	(378,076) (207,750)	(280,000) (200,000)	(500,000)	(500,000)	(1,672,804) (418,899)
TOTAL COSTS:	(106,216)	(606,175)	(778,464)	(480,000)	(500,000)	(500,000)	(2,970,855)
NET PERCHLORATE SURPLUS (DEFICIT)	(106,216)	(606,175)	6,728	60,682	325,000	700,000	380,019
CUMMULATIVE SURPLUS (DEFICIT)	(106,216)	(712,391)	(705,663)	(644,981)	(319,981)	380,019	